



Managers and internationalization decisions: An affect-enacted model

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Abstract

Research Summary: This paper identifies a critical gap in foundational assumptions between traditional International Business (IB) theories (e.g., internalization theory and Uppsala model) and empirical individual-level research. Traditional theories, rooted in assumptions of bounded rationality, tend to overlook the influence of affective cognition in shaping managerial decisions. In contrast, our systematic review of individual-level IB research reveals that empirical studies recognize the influence of affective cognition in decision-making but have only extended mainstream theories in fragmented ways, leaving room for a comprehensive theoretical revision. We propose an affect-enacted model of internationalization decision-making, showing how affective cognition critically shapes IB decisions. Our findings have important implications for IB theorization, advocating for the integration of both affective and non-affective cognition into a unified framework.

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Managerial Summary: Managers assess risks as part of their decision-making process for firm internationalization. Traditional theories suggest that managers, as boundedly rational actors, are imperfect agents influenced primarily by analytical considerations. However, our systematic review of over two decades of empirical research reveals instead that managers are complex agents that rely on both affective and non-affective processes to inform their judgments. We present an affect-enacted model of internationalization decisions, showing how these processes combine to shape knowledge, experience, attitudes, and risk evaluations, ultimately guiding their internationalization decisions. Contrary to the traditional view, our findings suggest that internationalization decisions are deeply influenced by affective cognition reflecting a complex interplay of intra- and interpersonal dynamics.

KEYWORDS

affect-enacted model, affective cognition, bounded rationality, decision-making, internationalization decision

1 | INTRODUCTION

Traditional international business (IB) theories, such as the internalization theory and the Uppsala model, assume that managers, despite cognitive limitations and agency issues, make internationalization decisions by assessing the net benefits of available options. In internalization theory, managers are considered boundedly rational actors seeking to minimize transaction costs (Buckley & Casson, 1976). They are typically modeled as less-than-perfect actors, prone to limited information, and exposed to opportunistic behavior (Kano & Verbeke, 2019). These behavioral aspects contribute to transaction costs, which should be minimized in the long run (Verbeke & Ciravegna, 2018). In the Uppsala model (Johanson & Vahlne, 1977), managers are seen as knowledge carriers whose decisions are entirely shaped by the level of accumulated knowledge with no room for discretion, feelings, or personal preferences (Coviello et al., 2017; Dow et al., 2018). Despite their different theoretical traditions, the Uppsala model and internalization theory share a common view of the decision maker as an imperfect actor whose limitations are generated by a lack of information and their decisions driven by cold analytical considerations.

These assumptions have been criticized by several empirical studies for their unrealistic representation of managers (Maitland & Sammartino, 2015a, 2015b; Musteen, 2016; Oesterle et al., 2016). A particularly contentious but often overlooked issue in IB is the exclusion of affective cognition¹ from theorization, which reduces the decision-maker to a boundedly rational calculator of costs and benefits (Brundin et al., 2022; Hodgkinson & Healey, 2011). This exclusion stems from the belief that emotions and rationality are opposing forces (Ashforth & Humphrey, 1995). However, a large body of literature in psychology contradicts this view, showing that decisions requiring complex and substantive processing actually benefit from “affect infusion” (Forgas, 1995). We argue

that incorporating affective cognition into theories of internationalization decisions would bring IB theories closer to the realities of the decision-making process.

Despite long-standing calls to incorporate affect into managerial decision-making (Ashforth & Humphrey, 1995), recent attempts to complement traditional IB theories with more sophisticated behavioral assumptions still lack clarity on how affective cognition influences managerial judgments (Elia et al., 2019; Foss & Pedersen, 2019; Kano & Verbeke, 2019; Vahlne & Johanson, 2020; Vahlne & Schweizer, 2022). Meanwhile, empirical research has made significant advances in exploring the cognitive foundations of internationalization decisions (see Niittymies & Pajunen, 2019 for a review), with some studies integrating affective factors. These papers often bypass mainstream IB theories, opting instead for theories from other disciplines or integrating IB theories in fragmented ways, leaving room for a comprehensive revision.

This fragmentation, resulting from a divergence between empirical research and theoretical development, motivated our review. For instance, both the Uppsala model and internalization theory assume that managers make decisions by systematically gathering information to minimize risk or transaction costs. These models adopt a prescriptive approach, focusing on how decisions should be made under certain conditions. However, empirical studies show that managers often deviate from these models. The Uppsala model, for example, would predict that Tata Motors would minimize risk by gradually entering foreign markets, starting with countries culturally and geographically close to India. Instead, the company opted for an accelerated, high-commitment entry strategy, acquiring Jaguar and Land Rover (JLR) in 2008 with a major investment of 2.23 billion USD, expanding rapidly into culturally distant markets. In addition to seeking strategic assets, the acquisition was triggered by the affective and instinctive decision-making of Ratan Tata, the famous Indian tycoon, who recently passed away. Many criticized Ratan Tata for his impulsiveness in acquiring JLR, but he was determined to acquire JLR for building national pride, legacy, and to fulfill his personal ambition. Although empirical studies are increasingly committed to uncovering the real foundations of decision-making—*how a decision is actually made*—theoretical development remains largely anchored to *how a decision should be made*. This divergence between theory and practice leads to fragmentation in research findings and shows that the assumptions underlying traditional models may not fully capture the complexities of real-world decisions.

Another motivation for this review is the need to organize and systematize fragmented contributions from individual-level empirical studies in IB that have incorporated affective and non-affective elements inconsistently. These studies draw on various theories and assumptions, leading to what Powell et al. (2011: 1370) describe as a “patchwork of theories and findings.”

In response to these challenges, we review over two decades (2000–2023) of empirical studies at the individual level to assess the role of affective cognition in IB decisions. Unlike previous systematic reviews focused on decision-making processes (Elbanna, 2006; Shepherd et al., 2015), cognitive antecedents (Armstrong et al., 2012; Niittymies & Pajunen, 2019), heuristics (Guercini & Milanese, 2020), and rationality (Elbanna, 2006), our review specifically seeks evidence of affective cognition and develops a novel model of internationalization decisions. Our guiding research questions are: How much is affect embedded in IB empirical research? How does it contribute to internationalization decisions?

Our study contributes to the global strategy literature in several ways. First, we systematically categorize individual-level research variables into four distinct research themes (knowledge, experience, attitude, and risk evaluation) summarizing current understanding of internationalization decisions. Second, we use these themes to develop a comprehensive yet parsimonious model of internationalization decisions, explicitly recognizing the role of affective cognition. This approach shifts away from the traditional view of the decision-maker as purely analytical, promoting a

more advanced cognitive portrayal of the decision-maker, as inadvertently anticipated by empirical research. Third, our affect-enacted model integrates affective cognition into theorization, highlighting potential departures from the traditional assumptions of bounded rationality.

2 | REVIEW METHODOLOGY

2.1 | Literature identification

We used ISI Thomson Reuters/Clarivate Analytics Web of Science to survey articles published in journals that feature internationalization studies. Our literature search spanned the fields of IB, management, entrepreneurship, strategy, human resource management, and organizational studies. We included the leading journals of each discipline, as these attract researchers to submit their highest-quality studies. We considered as leading journals those awarded 4*, 4, or 3 stars by the Chartered Association of Business Schools (2021). Following this rationale, we excluded books, book chapters, and any other type of publication lacking a rigorous peer review process. We targeted empirical papers that examine internationalization in which the independent variable is at an individual level of analysis and the dependent variable is related to any internationalization decision. By “internationalization decision,” we refer to any managerial choice or action regarding a firm’s expansion into or withdrawal from foreign markets, including the decision not to internationalize. To identify a broad range of internationalization decisions, we used keywords covering aspects such as the “go/not go” decision, time, speed, choice of entry mode, location choice, as well as divestment, relocation, and reshoring decisions. The full list of keywords is presented as [Supplementary material](#).

The initial search returned 3623 papers. To refine the selection, we followed the methodology recommended in the PRISMA statement (PRISMA, 2023) and used the decision-making steps illustrated in Figure 1.

2.2 | Screening

In the screening process, we carefully read the abstract of each paper and excluded those that did not study internationalization decisions at the managerial level. Each paper was independently examined by at least two authors, and discrepancies in evaluations were resolved through further discussion. This resulted in a unanimous selection of 337 papers. To address any concerns regarding missing articles, a manual search in the reference lists of each retained article was performed, and 12 additional papers were included. A final set of 349 papers was identified from 33 journals, of which 269 are quantitative studies, 77 are qualitative studies, and three studies used mixed methods. Although it is impossible to capture all available research on this topic, we consider this set sufficiently large and informative to reflect recent literature developments and to draw informed conclusions. Table 1 shows the number of papers selected and their distribution across fields and journals.

2.3 | Data analysis and paper categorization

Each paper in the final sample was checked for affective elements in decision-making. For consistency, a single co-author conducted the coding across all the papers. To ensure reliability,

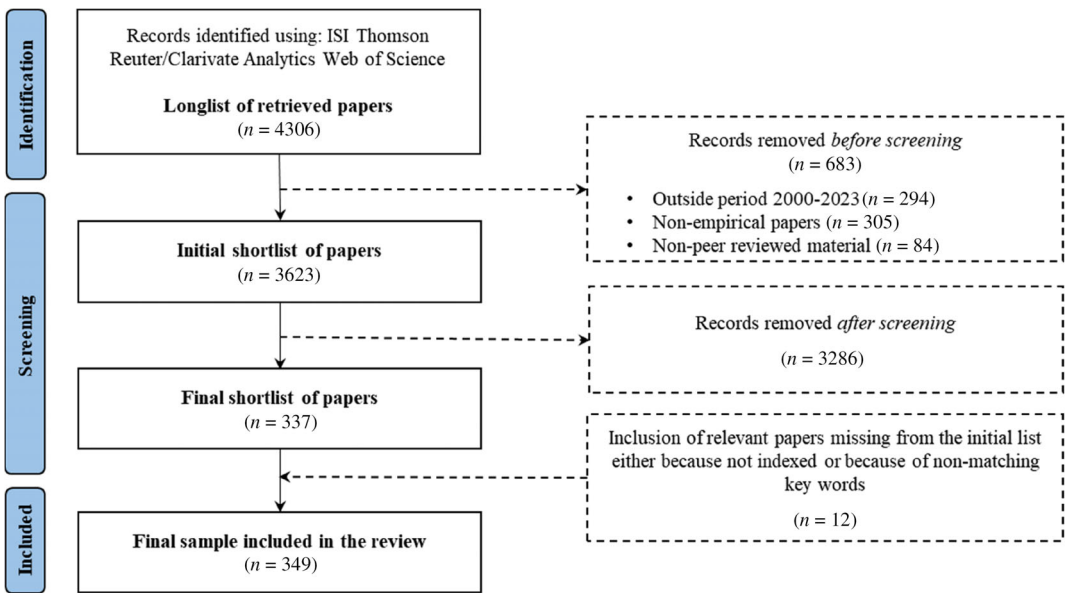


FIGURE 1 Paper screening and selection.

45 papers (about 13% of the total) were randomly assigned to co-authors who independently coded their assigned papers and then compared their results with the original coder. Inconsistencies were resolved through discussion and changes were made accordingly.

The reviewed papers were categorized based on two criteria. First, we organized the studies according to three levels of embeddedness of affective cognition. This is discussed in the next section. Second, following Jones et al. (2011), we systematically allocated the reviewed studies into research themes. Each research theme refers to a singular organizing concept that lays behind a group of studies, such that each study allocated to a research theme captures an aspect of that theme (Braun & Clarke, 2006). Four research themes were identified: *knowledge*, *experience*, *attitude*, and *risk evaluation*. The process of theme identification required an in-depth analysis of each variable used in the selected papers. The aspect of decision-making that a variable was ultimately trying to capture determined the research theme to which to allocate the study. For example, *age* is often used to reflect managers at different stages of their lives having different ways of processing information and acquiring knowledge. Studies using *age* as a variable were allocated to the knowledge theme. However, if the *age* variable was used to reflect different levels of experience, then the study would be allocated to the experience theme. Alternatively, if *age* is used to reflect both aspects, the study is simultaneously allocated to both themes.

3 | THE EMERGENCE OF AFFECTIVE COGNITION IN IB RESEARCH

We use the term “affect” broadly to include both trait affect (stable and enduring emotional tendencies) and state affect (temporary emotional experiences that fluctuate in response to specific situations) (Barsade et al., 2003). Affect influences decision-making by generating automatic

TABLE 1 Number of papers selected and their distribution across disciplines and journals.

Journal	Article count
International Business	
International Business Review	65
Journal of World Business	36
Journal of International Business Studies	25
Management International Review	24
Journal of International Management	12
Asia Pacific Journal of Management	10
Management And Organization Review	5
	177
Management	
Journal of Business Research	36
British Journal of Management	13
Journal of Management	5
Journal of Management Studies	4
Academy of Management Journal	3
European Management Review	2
Journal of Business Ethics	2
Academy of Management Perspectives	1
Administrative Science Quarterly	1
Journal of Business Research	36
	67
Entrepreneurship	
Journal of Small Business Management	13
Small Business Economics	11
International Small Business Journal	9
Family Business Review	8
Entrepreneurship Theory and Practice	6
Entrepreneurship and Regional Development	5
Journal of Business Venturing	5
Strategic Entrepreneurship Journal	2
	59
Strategy	
Global Strategy Journal	14
Strategic Management Journal	7
Long Range Planning	6
	27

TABLE 1 (Continued)

Journal	Article count
Human Resource Management	
International Journal of Human Resource Management	14
Human Resource Management	1
	15
Organization Studies	
Organization Studies	1
Group & Organization Management	1
Organization Science	1
Research in the Sociology of Organizations	1
	4
Total	349

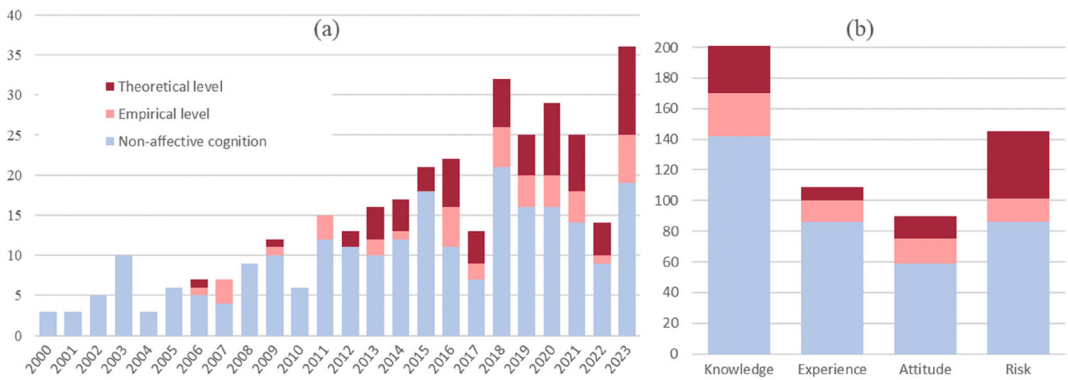


FIGURE 2 Degree of affect-embeddedness by year (a) and by research theme (b).

reactions that operate independently of analytic evaluations and are often difficult to verbalize (Zajonc, 1980). These reactions derive from both intra-organizational experiences (Weiss & Cropanzano, 1996) and extra-organizational events (Ashton-James & Ashkanasy, 2008). We use the term *affective cognition* to emphasize how affect strongly influences information processing, directing the decision-maker's attention toward a specific objective while overshadowing all others (Loewenstein, 1996).

Our review reveals that IB studies recognize the presence of affective cognition in decision-making to varying extents. As shown in Figure 2a,b, most of the papers reviewed (about 69%) entirely disregard affective elements, relying solely on non-affective perspectives. However, some studies in this category acknowledge that their work could be improved by capturing affective factors such as affective ties (Jean et al., 2011), aspirations and feelings (Datta et al., 2009), emotional responses (Kiss et al., 2013; Piaszkowska & Trojanowski, 2014), the emotional attachment to the home country (Cho et al., 2014), and experiences of pleasure or displeasure (Li et al., 2015; Wang et al., 2015). Other studies, while primarily adopting traditional cognitive models, identify affective factors as unexpected findings. For example, in examining

the economic determinants of offshoring decisions, Musteen (2016) found patriotism (emotional attachment to one's country) to be an unexpected antecedent.

Approximately 12% of the studies capture affective cognition by combining behavioral and personality variables with traditional variables to extend the predictive power of traditional theories. We found that personality traits (e.g., overconfidence and narcissism), trust, personal values, and diversity often serve as proxies for affective cognition (Agnihotri & Bhattacharya, 2019; Bolzani & Foo, 2018). This approach aligns with psychology literature, which suggests that personality represents an “emergent property of responses to the experience of emotion” (Segerstrom & Smith, 2019, p. 651), implying that individuals' emotional regulation can shape personality traits over time.

Finally, the remaining studies (about 19%) incorporate affective cognition into their theoretical assumptions. The two primary theoretical frameworks used to embed affective elements into internationalization decisions are socio-emotional wealth (SEW) (Gómez-Mejía et al., 2007) and effectuation (Sarasvathy et al., 2014). The SEW framework assumes that managers' risk evaluations are shaped by both expected financial performance and a commitment to preserving the family's identity and legacy (Arregle et al., 2021; Boellis et al., 2016; Duran et al., 2017). The effectuation framework is based on principles that incorporate emotion-based rules and heuristics (Sarasvathy et al., 2014). The *bird-in-hand* principle includes passion, determination, or excitement as key resources; the *affordable-loss* principle recognizes the emotional consequences of risk; and the *lemonade* principle emphasizes the importance of adapting to unexpected changes and embracing surprises. Affective cognition plays a key role in helping entrepreneurs dealing with uncertainty and making complex decisions (Chandra, 2017; Crick et al., 2020; Galkina & Chetty, 2015).

Our review highlights a limited use of traditional IB theories in individual-level research, particularly in studies incorporating affective cognition. Researchers use various theoretical frameworks to study internationalization decisions, indicating fragmentation and leading to a wide array of perspectives and findings that often lack cohesion.

4 | AN AFFECT-ENACTED MODEL OF INTERNATIONALIZATION DECISION-MAKING

In this section, we map the conceptual landscape of internationalization decisions by systematizing the literature and categorizing similar constructs into common research themes. We analyze each theme to identify mechanisms that logically contribute to our model. Following Whetten (1989), this approach is necessary for developing a conceptual model that clarifies the antecedents of internationalization decisions.

4.1 | Research themes

4.1.1 | Knowledge

The knowledge theme encompasses the largest number of papers analyzed (see Figure 2b). Approximately 30% of the works incorporate the role of affective cognition in their analysis. In the management context, the action of *knowing* encompasses at least two different psychological processes. First, it includes the mental activities used to store information and evaluate



external conditions (Helfat & Peteraf, 2015). Second, it includes the mental structures that assist managers in building representations of the business environment (Maitland & Sammartino, 2015a). While knowledge can broadly encompass most aspects of cognition, we adopt a more focused view to avoid overlaps with the other themes. Specifically, we consider knowledge as a form of *forward-looking* intelligence (Gavetti & Levinthal, 2000): a manager's expectation that a certain action will lead to a desired outcome.

The common assumption in studies allocated to the knowledge theme is that knowledge mitigates uncertainty about international markets, making managers more prepared to make decisions. For example, knowledge is associated with better capabilities (Loane et al., 2007; Tasheva & Nielsen, 2022), richer mental maps (Maitland & Sammartino, 2015b; Wood et al., 2010), and more appropriate decision logics (Dash & Ranjan, 2019; Galkina & Chetty, 2015; Kiss et al., 2019). The studies show that knowledge increases the probability of making a more committed investment decision (Herrmann & Datta, 2002; Lai et al., 2012; Tung & Chung, 2009) and the decision to increase the breadth of internationalization (Javalgi & Todd, 2011; Lee & Park, 2006).

Knowledge acquisition

From a non-affective perspective, managers' knowledge is generated from exposure during their managerial tenure (i.e., Agnihotri & Bhattacharya, 2015; Carpenter & Fredrickson, 2001) to external sources, such as educational institutions (Freixanet et al., 2018; Ganotakis & Love, 2012), or through embedding themselves in a network with other firms or peers (i.e., Ahmed & Brennan, 2019; Idris & Saridakis, 2018) or through interlocking strategies (Yildiz et al., 2021; Zhu & Deng, 2023). Knowledge can also be brought to managers by key experts, such as advisors or consultants (Stoian et al., 2018). Managers organize and store knowledge into mental models and deploy cognitive structures to simplify reality and deal with the complexity, uncertainty, and novelty of situations (Maitland & Sammartino, 2015b). Where information is excessive and difficult to process, managers use heuristics as decision aids to respond quickly and effectively to environmental challenges (Maitland & Sammartino, 2015a; Malhotra et al., 2018; Niittymies, 2020).

The studies incorporating affective cognition at a theoretical level suggest that managers of family businesses have an unconventional way of accessing knowledge and tend to privilege information to make decisions that preserve the affective endowment of their firms (Boellis et al., 2016; Camino Ramon-Llorens et al., 2017; Liang et al., 2014; Schweizer, 2012). Studies using the effectuation framework show that emotion-based rules are used to build more successful decision tools (Chandra, 2017; Kiss et al., 2019).

At an empirical level, some studies use diversity (e.g., job diversity, top management team diversity) to capture the emotional conflict that managers may experience in their positions (Barkema & Shvyrkov, 2007; Lee & Park, 2006). Other studies use identity, political, and personal values to reflect how managers make fast decisions without time-consuming cognitive evaluations (Bolzani & Foo, 2018; McMullen et al., 2016). Additionally, the foreign status of managers and country familiarity are used to capture sentiments and preferences toward the homeland (Clark et al., 2018; McHenry & Welch, 2018; Rana & Elo, 2017).

Finally, to capture affective processes, some authors investigate managerial decision-making styles, decision rationality, and heuristic processes. For example, Deligianni et al. (2016) incorporate decision rationality by including heuristics and mental processes based on "gut feelings" instead of traditional models reliant on explicit, cognitive, and systematic analysis. Jiang et al. (2018) operationalize the decision-making style using two distinct cognitive styles: thinking and

feeling. Arranz et al. (2016) and Vissak et al. (2020) suggest that generic feelings, which are not fully articulated or verbalized, can influence choices such as selecting a partner or deciding to enter or exit a particular market.

4.1.2 | Experience

The experience theme accounts for approximately half the number of papers compared to the knowledge theme (see Figure 2b). To differentiate experience from knowledge, we consider experience as a form of *backward-looking* wisdom, where information is accumulated as outcomes of previous events (Gavetti & Levinthal, 2000). Most studies show a positive relationship between experience and the frequency and commitment to internationalization (Carpenter & Fredrickson, 2001; Tihanyi et al., 2000). As decision-makers accrue experience, they become better acquainted with the decision-making process, develop more expertise, and become more influential (Jiang et al., 2018). Experience is also found to increase the capacity to discover IB opportunities (Mansion & Bausch, 2019) and more efficiently use heuristics and analogical reasoning (Hsieh et al., 2019).

Studies on this theme use two types of variables to measure experience. First, some studies use persistence measures (e.g., number of years spent abroad, length of tenure, years of exporting activities), assuming that the longer the period spent doing a specific activity, the better the decision outcome (Piaskowska et al., 2021). Second, some studies use descriptive measures, assuming each type of experience benefits decision-making in a particular way. For example, political experience accounts for civic intelligence (Marquis & Qiao, 2020), immigrant or returnee status accounts for location-specific expertise (Bai et al., 2017; Neville et al., 2014), and social and ethnic ties account for relationship learning capacity (Li, 2020).

Experience acquisition

From a non-affective cognitive perspective, managers acquire experience through a learning process. Many studies allocated to this theme use experience variables without fully illustrating the mechanisms of experiential acquisition (Aguzzoli et al., 2020; Ahmed & Brennan, 2019). To clarify this process, insights are drawn from psychology and management literature. Experience, in this context, evolves through a learning cycle that involves taking action, evaluating outcomes, and revising approaches (Gavetti & Levinthal, 2000). Experiential information is acquired through feedback loops from prior choices. In this way, different experiential contexts generate diverse dominant logics, ultimately leading to heterogeneous experiences (Fisher & Reuber, 2003).

From an affective perspective, some studies argue that experience assists managers in building richer and more nuanced schemata and thus allows them to make quicker decisions using heuristic processes (Maitland & Sammartino, 2015a; Niittymies, 2020). More experienced managers make better decisions not just because they have managed to accumulate more information but also because they have learnt to deal with the negative affective reactions of cognitive dissonance (Lin & Cheng, 2013). At the empirical level, international experience and good decisions are sometimes associated with managers who can effectively balance analytical “thinking” and emotional “feeling” (Jiang et al., 2018). Other studies use expatriate status (McHenry & Welch, 2018) or immigrant status (Neville et al., 2014) to capture the strength of managers' emotions related to cultural affinity. Affect and intuition are used to synthesize relevant aspects from the past and create an overall picture of the context under consideration (Kopalle et al., 2023).



4.1.3 | Attitude

The attitude theme is the least represented in the literature (see Figure 2b). Attitude represents an individual's overall evaluation of a specific object, person, or situation, and this evaluation significantly influences behavior (Eagly & Chaiken, 1993). The strong conative component is the distinctive element of the attitude theme.

Managers with a positive attitude (or orientation) toward internationalization are more likely to commit resources and efforts to enter foreign markets (Levy et al., 2007; Muzychenko & Liesch, 2015). A positive attitude can significantly attenuate the perceived uncertainty associated with internationalization.

Some of the reviewed studies have operationalized attitudes by using proxies such as motivation (Baldauf et al., 2000; Dimitratos et al., 2016; Moen et al., 2016), commitment (Bloemer et al., 2013; Serra et al., 2012), global mindset (Felicio et al., 2015, 2016), cosmopolitanism (DeGhetto et al., 2021), goal orientation (Domurath et al., 2020), entrepreneurial or international orientation (Ibeh, 2003), pro-activeness (Ciravegna et al., 2014), and propensity to act (Li et al., 2015).

Attitude acquisition

Most of the reviewed studies borrow the concept of attitude from psychology literature and do not adequately discuss its determinants. Psychology literature suggests that attitudes arise from beliefs—subjective associations between an object (or behavior) and its expected outcome or attributes (Fishbein & Ajzen, 2010). Regardless of their accuracy, beliefs significantly influence decision-making (Markóczy, 1997). The reviewed studies show that attitudes and beliefs about international markets are self-generated through an internal inference process. This process may involve biases (Baack et al., 2015) or heuristics (Maitland & Sammartino, 2015a). It might also be influenced by culture and political ideology (Marquis & Qiao, 2020; Tasheva & Nielsen, 2022). The strength of these beliefs influences behavior, guiding a manager's attention toward desired outcomes (Bird, 1988) and determining whether or not decisions are made (Hutzschenreuter et al., 2012).

Few works conceptualize attitude incorporating an affective lens. For example, some studies show that family members incorporate the goal of preserving family wealth into their attitude, and this in turn changes the patterns of their decisions (Camino Ramon-Llorens et al., 2017; Duran et al., 2017; Kerai et al., 2023; Yang et al., 2020). At the empirical level, some studies use constructs such as spirituality (Kurt et al., 2020), symbolic and emotional information (Goxe & Belhoste, 2019), political identification and political values (McMullen et al., 2016), tolerance of ambiguity (Acedo & Galán, 2011; Acedo & Jones, 2007), and personal values (Bolzani & Foo, 2018) to make sense of affective factors in their empirical analysis.

4.1.4 | Risk evaluation

The risk theme includes the second-largest number of papers, underscoring its central role in IB research alongside knowledge (see Figure 2b). Traditional IB theories embrace the hypothesis of risk neutrality (see Buckley & Strange, 2011; Strange, 2018). However, the reviewed studies challenge this assumption by showing that risk perceptions vary across the managers' population, and this variation is much better explained when affective components are considered. Figure 2b illustrates that the risk theme includes the largest percentage of studies incorporating affective cognition.

In assessing risk, managers evaluate investment certainty across all cognitively measurable dimensions. For a set of investment choices with similar returns, managers are considered risk-neutral if indifferent to the certainty level associated with each alternative. Risk-aversion or risk-seeking occurs when managers choose alternatives with higher or lower certainty, respectively (Buckley et al., 2016, 2018).

Mechanism generating different risk evaluations

From a non-affective cognitive perspective, such as behavioral decision-making theory (Cyert & March, 1963; Kahneman & Tversky, 1979), risk evaluation heterogeneity is shaped by the context and framing of options (Buckley et al., 2018, 2020; Giambona et al., 2017). Other studies using agency theory (Jensen & Meckling, 1976) show that information asymmetry between managers (agents) and shareholders (principals) represents the origin of differences in risk evaluation (Tihanyi et al., 2003, 2009).

Studies incorporating affective cognition at a theoretical level mainly use SEW theory to explain internationalization decisions. These studies use family involvement as a proxy for risk, finding either a negative effect of family involvement on internationalization decisions (Albino-Pimentel et al., 2018; Duran et al., 2017; Fang et al., 2018) or a U-shaped effect (Liang et al., 2014). Such research highlights that managers' emotional considerations serve as reference points in processing information, resulting in unique and unpredictable risk evaluations, which are difficult to account for using traditional cognitive perspectives.

Moving on to the studies that incorporate affective cognition at an empirical level, we find that personality traits such as narcissism (Agnihotri & Bhattacharya, 2019; Oesterle et al., 2016), overconfidence (Biru et al., 2023) and religiosity (Richardson & Ariffin, 2019) are frequently used to account for affective factors influencing managers' risk evaluations.

4.2 | The model

Our review of studies with increasing levels of embeddedness of affective cognition reveals a tendency toward more realistic cognitive portrayals of managers. However, we also observe a lack of an integrative model that clarifies the antecedents of internationalization decisions and how affective and non-affective cognition jointly shape decision-making. Existing conceptual contributions have a narrow focus, such as fear of failure (Dong, 2022) or compassion (Jakobsen et al., 2023). Although scholars increasingly recognize the role of emotion in understanding internationalization decisions (Vahlne & Johanson, 2020; Vahlne & Schweizer, 2022), IB theory offers limited insights into how affective cognition works. To address this gap, we propose an affect-enacted model.

Using a comprehensive yet parsimonious approach to theorization (Santangelo & Verbeke, 2022; Whetten, 1989), we develop a conceptual model using the four research themes identified in our review: knowledge, experience, attitude, and risk evaluation. Our findings indicate that risk evaluation is the primary determinant of internationalization decisions, shaped by three cognitive antecedents: knowledge, experience, and attitude. Each decision-maker possesses a unique combination of these antecedents, which mitigates perceived uncertainty (Buckley & Carter, 2004; Liesch et al., 2011) and informs their risk evaluations.

For each antecedent, our affect-enacted model (outlined in Figure 3) illustrates its internal dimension, showing how knowledge, experience, attitude, and risk evaluations form within the manager's mind. Although our analysis focuses on an individual level, it is important to note

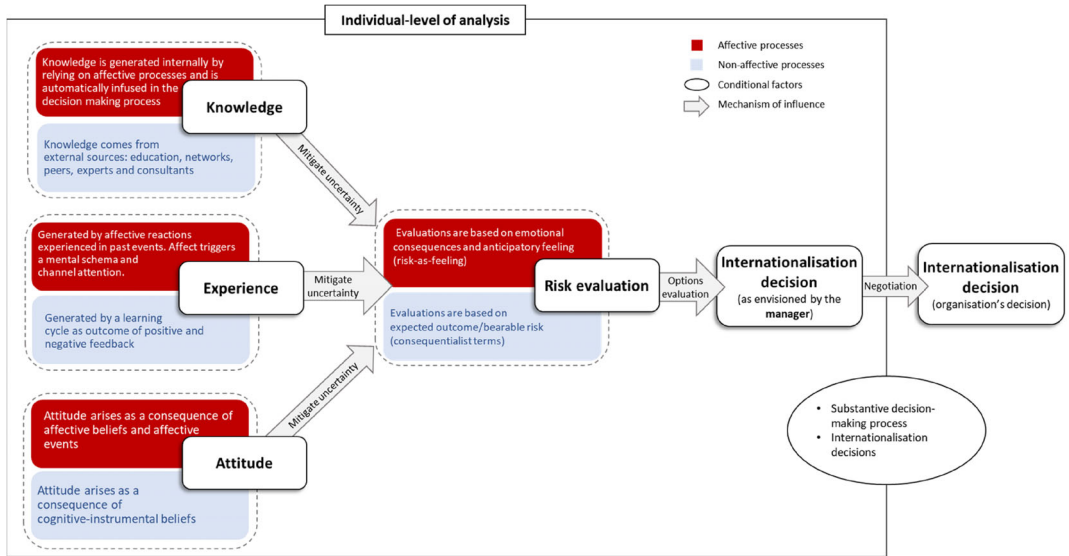


FIGURE 3 The affect-enacted model of internationalization decision-making.

that the decision as envisioned by the manager is not the firm's final choice but rather an input into the collective decision-making process.

4.3 | The affective mechanisms

Affective cognition influences strategic decision-making through specific mechanisms. We explore these mechanisms with a specific focus on the context of internationalization decisions and integrating insights from established research in the fields of psychology, management, and organization studies.

4.3.1 | Knowledge

Affective cognition contributes to knowledge accumulation by bridging knowledge gaps in managers' minds (Schwarz, 2000). This mechanism is better known as the affect-infusion decision model (Forgas, 1995). When the probabilities of all events cannot be assessed, managers often rely on their emotions to envision possible outcomes. Affective cognition acts as an informational cue, guiding decision-makers even in situations where individuals believe their decisions are purely analytical. It provides immediate and instinctive information that is not fully mediated by internal elaboration, offering an alternative source of knowledge that can be accessed more quickly and with less cognitive effort (Van de Laar & De Neubourg, 2006). Affective cognition does not limit the knowledge processed but rather functions as a source of knowledge, enabling the detection of certain clues that would otherwise be overlooked (Hodgkinson & Healey, 2011). According to the affect heuristic perspective, affective cognition can accelerate decision-making, especially in complex situations of information overload and limited mental resources (Finucane et al., 2000).

Affective cognition can also alter a manager's system of preferences. Although much of the management and organizational literature emphasizes the knowledge-filling function of affective cognition, its influence on preference structure is often overlooked. However, this aspect has clearly emerged from our review, especially in the family business literature. Under the sway of a specific emotion triggered by the attachment to the family, a manager may overemphasize the need to respond immediately to the necessity of protecting SEW while underestimating medium- or long-term economic goals. Consequently, the decision-maker's system of preferences is altered, and priorities are shuffled, with a direct and unpredictable influence on internationalization decisions. Emotional reactions are assigned priority because they are considered more urgent in the hierarchy of needs. This mechanism has been studied in neuroscience literature; individuals respond to immediate needs by focusing on enhancing or preserving current feelings, resulting in a focus on the self and the present (Loewenstein, 1996), thereby reducing sensitivity to objective information. Although affect may shift attention from certain priorities, it still contributes to the knowledge managers rely on to mitigate uncertainty. It is part of the broader process of knowledge creation that ultimately mitigates uncertainty.

4.3.2 | Experience

The second antecedent, experience, refers to how affective cognition influences the gathering and interpretation of information by individuals from their surroundings (Fiske & Taylor, 1991; Millar & Millar, 1996; Zajonc, 1980). Prior positive or negative affective experiences can influence new internationalization decisions, even overriding economic considerations. Managers develop mental schemas based on past experiences, irrespective of whether such positive or negative affective reactions are directly related to the decision-making process. For instance, Schotter and Beamish (2013) found that difficulties in obtaining visas, poor quality hotels, bad food, an unpleasant climate or environment, and personal safety concerns are negative experiences often mentioned by managers. From our review, it emerges that these experiences exert a significant influence on the assessment of future investment decisions, and this influence is comparable to economic evaluations. This mechanism is exemplified in the schema-triggered affect model (Fiske & Taylor, 1991), in which individuals develop mental schemas or frameworks about their tasks based on past experiences. When these schemas are activated, they instantly trigger a positive or negative affective reaction. This emotional response enables decisions to be made with little or no access to specific information stored in the brain. For example, if a manager has had a negative experience with a previous exporting project, this negative experiential schema would guide their processing of new information. The activation of this schema, associated with a bad experience and unpleasant feelings, is likely to cause the manager to interpret ambiguous information negatively, experience negative emotions during the decision-making process, and possibly avoid or delay decisions about a new exporting project. The same process applies if the manager has had positive experiences priming the manager to be more optimistic, creative, or risk-tolerant (Van der Kolk, 2014).

4.3.3 | Attitude

In the traditional view of attitude formation, non-affective beliefs were given more emphasis, and attitudes were seen as primarily based on instrumental information (Eagly & Chaiken, 2007). Contemporary perspectives acknowledge the intertwined nature of affective



and instrumental beliefs in attitude formation (Fishbein & Ajzen, 2010). Our review corroborates the contemporary perspective. Some of the reviewed studies report that managers oriented toward internationalization are simultaneously driven by both instrumental and affective beliefs. Instrumental beliefs are related to the expected benefits of international diversification, whereas affective beliefs are related to the emotional state experienced by the decision maker. An intriguing study on managers with a patriotic orientation reveals that, despite recognizing the advantages of international diversification, these individuals tend to steer clear of foreign markets to avoid the discomfort associated with negative emotions (Musteen, 2016). This example illustrates that in certain cases, particularly when emotions are strong and negative, affective evaluations can supersede economic evaluations, influencing decision-making in unexpected ways.

4.3.4 | Risk evaluation

Finally, affect influences risk evaluation through two mechanisms. First, it alters the overall expected value of the decision outcome. In evaluating the different options, managers anticipate the consequences of their decisions while seeking to maximize the outcome. When the affective dimension comes into the picture, we also expect that, besides economic outcomes, the decision-maker anticipates the emotional consequences of a decision. It is therefore expected that each decision represents an individual attempt to maximize economic outcome while seeking to maximize positive emotions and reduce negative emotions. This creates situations of potentially conflicting priorities because managers cannot possibly maximize different types of outcomes simultaneously. Therefore, the final decision is the result of a unique individual arrangement that solves the conflict using different logics. In fact, some of the reviewed studies show that managers, even when aiming to maximize financial outcomes, have different risk evaluations and therefore do not behave as the theory would predict (Blondiau & Reuter, 2019; Buckley et al., 2007).

The second mechanism involves immediate reactions, contextually experienced in moments of decision-making, referred to as “anticipatory feelings” (Loewenstein & Lerner, 2003) or the “risk-as-feeling” hypothesis (Loewenstein et al., 2001). Under the effect of anticipatory feelings, individuals may respond intuitively, experiencing intense discomfort or pleasure, possibly without conscious mediation (Loewenstein, 1996; Loewenstein & Lerner, 2003). In some cases, these feelings can even diverge from cognitive reactions, thus creating a decision-making impasse (Loewenstein et al., 2001). The power of anticipatory feelings directs the decision-maker’s attention to the present and the self, potentially displacing other goals and reordering established priorities. The reviewed studies provide no evidence for the second mechanism, and, as far as we know, the impact of anticipatory feelings on managerial decisions regarding internationalization has not yet been investigated.

4.4 | The collective dimension

To this point, our discussion has focused on the individual level of analysis, demonstrating the mechanism through which individual risk evaluations are formed, with affective and non-affective cognition working together. According to individual risk evaluations, managers envision a particular internationalization option that is expected to fulfill their goals. However, the final decision is not made by one person alone but is the result of a collective process. This

decision involves negotiations with organizational members, where conflict may arise due to differing viewpoints and interests. Typically, these conflicts are resolved through a search for consensus, emerging from dialogue and the convergence of positions (Treviño & Doh, 2020). Consensus is driven by a process of building collective knowledge, influenced by key individuals and their groups (Treviño & Doh, 2020).

There are two aspects to this process. First, individuals within an organization tend to conform to the dominant discourse due to heuristic processes and common organizational sense-making (Maitlis, 2005). This conformity is driven by affective motivations such as the desire to fit in, reduce cognitive dissonance, and manage social relationships more effectively (Cialdini & Goldstein, 2004). Second, consensus can also be created through manipulation of affective reactions. Decisions may be influenced by the emotional climate created within a social or organizational context. Influential individuals within organizations, for example, can strategically display emotions to influence decision-makers behaviors and achieve desired socio-political goals (Jarvis, 2017). This strategic use of affective cognition can shape the direction of decision-making and ensure alignment with the broader organization's objectives.

4.5 | Boundary conditions

The affect-enacted model operates under specific boundary conditions that define the circumstances in which it is effective. The model is designed to operate within the domain of managerial decision-making processes expressly directed toward the subject of internationalization. The model assumes that managerial cognitive processing leads to substantial and direct cognitive outcomes about internationalization, meaning that managers must actively engage in thorough cognitive analysis when making decisions. If the conditions of focusing on internationalization decisions and substantive cognitive processing are not met, the explanatory power of the model may be limited.

5 | THEORETICAL IMPLICATIONS

The introduction of an affect-enacted model of internationalization decision-making contributes to a more nuanced understanding of managerial behavior. We identify three significant departures from the traditional assumptions of bounded rationality commonly applied in IB theories (Kano & Verbeke, 2019).

First, traditional assumptions of rationality posit that managers acquire information from the external environment while facing limitations due to the impossibility of obtaining and processing all information (Simon, 1957), time constraints, and self-interest (Kostova et al., 2018). Our review, however, suggests that managers can obtain crucial decision-making insights not just from external data but also from affective cognition. These affect-infused processes allow managers to detect hidden information through feelings and emotional responses, which both play a significant role in information acquisition. At the same time, affective cognition may cause managers to overlook readily available information as their attention is channeled elsewhere. In this sense, decision-makers are not simply constrained by cognitive limitations but are influenced by a dynamic interplay of affective and non-affective cognitive processes.

Second, managers are traditionally assumed to make decisions after searching for and identifying satisfying alternatives. In this search, managers weigh the cost and benefit of each option



and use criteria related to the maximization of economic or financial performance. However, our review indicates that the search for satisfying alternatives also involves emotional and affective considerations. For example, family business managers settle for an option that both guarantees financial performance and the emotional wealth of the company. This aspect contributes to redefining the behavioral assumptions of the decision-maker from a mere profit maximizer to a more complex agent balancing financial goals with emotional and relational values.

Third, classical models assume consistent preferences, meaning that decision-makers can rank and consistently select the best option. This principle forms the core of the rationality assumption and underpins many theories in IB, such as internalization theory and the Uppsala model (Buckley & Casson, 2009). For instance, internalization theory posits that decision-makers consistently prefer options that minimize transaction costs and maximize control, while the Uppsala model suggests that managers maintain a stable preference for minimizing risk through learning. Our review challenges these traditional views by showing that affective cognition can significantly alter a manager's system of preferences. When an option is assigned a certain "affective weight," its priority can shift, making it more (or less) significant and urgent than an option with comparable risk or economic value. Consequently, decision outcomes become heterogeneous, varying according to the context and the characteristics of the decision-maker. This aspect represents one of the key contributions of the affect-enacted model to the understanding of managerial behavior, suggesting that the hypothesis of stable and ordinal preferences should be reconsidered. We argue that, to model internationalization decisions, a reference point should be specifically identified for each decision situation, which reveals information about the affective weights potentially assigned to each option (Felin et al., 2017). To illustrate this point, consider the options outlined in Table 2 as an example. From a non-affective perspective, one would expect any manager to choose Option A among the three alternatives. However, by revealing the affective reference point of the manager, one can reasonably predict that choosing Option B is a better option, because it avoids the negative affective consequence implied by Option A.

The above discussion (summarized in Table 3) reveals that managers intrinsically deviate from the ideal type of analytical decision-makers. This deviation underscores the need for a more realistic representation of human behavior rather than adherence to an ideal type. Our model opens avenues for exploring the potential departures from the traditional assumptions of (bounded) rationality. Such deviations necessitate future theoretical development to ensure that different theories with contrasting assumptions are not conflated.

6 | RESEARCH DIRECTIONS

6.1 | Research agenda

We propose a research agenda with four clear directions. First, integrating affective cognition will enhance studies that focus on managerial decision-making on internationalization, de-internationalization, and trajectory shifts. The role of knowledge, experience, attitude, and stance on risk need to be explicitly acknowledged in individual-level studies not as optional "add-ons" but as theoretical antecedents of IB decisions. The affect-enacted model could also be extended to other critical IB decisions (e.g., autonomy/control, international HRM, knowledge transfer) and to decision-making processes in other disciplines. Second, a research focus on managerial cognition is building momentum, and this must be integrated with

TABLE 2 Internationalization options.

Options	Expected economic outcome	Affective outcome
A	2 billion	Negative
B	1.5 billion	Positive
C	1 billion	Neutral

TABLE 3 Potential departures from bounded rationality assumptions generated by an affect-enacted model.

Rationality		Potential departures generated by the affect-enacted model
Full	Bounded	
Perfect information	Limited information and limited cognitive capacity	Hidden information can be acquired through feelings and emotional responses while available information can be overlooked as affective cognition channels their attention elsewhere
Maximize firm-specific goals	The decision maker can settle for a satisfactory solution that meets minimum criteria due to cognitive limitations and time constraints	The search for satisfying alternatives also involves emotional and affective considerations connected to managing the company
Consistent preferences	Consistent preferences	Affective cognition can significantly alter a manager's system of preferences. Affective weight can shift managers' priorities, making more or less urgent than a similar option with comparable economic value or associated risk

internationalization strategies at all levels of analysis. Third, interdisciplinary borrowing will be useful (and necessary) in extending this research agenda. Borrowings from neuroscience and psychology should enhance the field of decision-making on internationalization if researchers ensure that the assumptions of the underlying theories are aligned. Fourth, the most difficult challenge lies in theoretical advances. In making progress, it is necessary to revisit the most basic assumptions and axioms of the theories that form the basis for the analysis of managerial decision-making.

6.2 | Research questions

The review offers the opportunity to advance IB research by identifying gaps in existing frameworks and suggesting directions for future research.

In terms of knowledge, the accumulation of knowledge is particularly important in contexts of radical transformation, especially when sustainability pressures, uncertainty, and geopolitical tensions crowd the decision-maker's agenda. In this context, managers can become ambivalent agents who operate in a state of mixed or contradictory feelings (Rothman et al., 2017). Ambivalence may arise from conflict between economic and environmental rationales (Wu et al., 2020). Capturing affective cognition as a knowledge booster will help explain internationalization choices. Several research questions arise here: What knowledge do ambivalent



managers prioritize in internationalization decisions? How do managers make sustainability decisions on internationalization when they experience *climate anxiety* (Bleda & Pinkse, 2023)? When faced with high uncertainty and geopolitical conflicts (Evenett & Pisani, 2023), the way a manager resolves ambivalent situations can reveal underlying processes of affect-infused information processing. Do managers delay, avoid, or proactively explore sustainable ways of internationalization under the influence of affective knowledge? Future research could explore how ambivalence generated by social pressures and self-generated information causes managers to make internationalization or de-internationalization decisions.

In terms of experience, instead of the length of experience, focusing on the content of experience may better conceptualize experiential knowledge. This means emphasizing the quality, nature, and details of what individuals have learnt or encountered during their experiences, rather than simply how long they have been in a particular role. How do affective and non-affective factors interact in the learning cycles of managers to influence internationalization? For example, studying managers' participatory map-making and mental mapping could reveal how information is processed or disregarded in the decision cycles (e.g., George et al., 1998; McGrath et al., 2019). Acknowledging the unique experiences of diverse groups such as immigrants, expatriates, returnees, people of different genders, and subordinate stakeholders in value chains (Wang et al., 2023) could yield insights on how diversity informs internationalization strategies. What experiences are unique to these groups, and how do these shape their IB decisions? Particular experiences connected to particular social statuses will reveal previously overlooked affective processes driving internationalization decisions (Levy et al., 2014). Furthermore, research on previous experiences, particularly involving failure, could reveal how managers react to negative affect (Boden & Eatough, 2020): How do experienced managers process and leverage prior failures to inform subsequent decision-making?

Research directions around attitude should focus on its dual nature. Literature on the global mindset (Anderson et al., 2015; Kuratko et al., 2021), for example, could benefit from including affective variables such as spirituality, religious beliefs, personal values, political values, and symbolism, along with incorporating negative affective stances such as anti-globalization (Bohas et al., 2021). How do managers navigate conflicting attitudes? For example, examining how negative affective beliefs (e.g., induced by patriotism) override positive non-affective beliefs about investing in a foreign country (Musteen, 2016) could inspire IB policies (i.e., UNCTAD, 2024) aimed at counteracting such biases to encourage international collaboration.

The theme of risk is fundamental in IB theories, and affective risk evaluation offers promising research opportunities. In an environment characterized by wickedness (complex, multifaceted issues with no clear definition or definitive solution) (Van Tulder & Van Mil, 2022), how do managers assess risk during internationalization while addressing sustainability or stakeholder demands? Identifying the manager's reference point as a benchmark for evaluating outcomes and guiding decisions could clarify risk tolerance and decision-making. The reference point need not be purely economic; it can include a manager's emotional attachment to a project or business model, involvement in social entrepreneurship practice, or the importance placed on stakeholder issues and sustainability. For example, does the attachment to a project or business model influence alter the risk assessment? Would decisions be revised if affective cognition subsequently increases uncertainty for the firm?

A second research avenue on risk involves investigating the effect of emotions in real-time decision-making. How do contextual emotions impact internationalization decisions? Testing the risk-as-feeling hypothesis can expand understanding of how emotional responses shape perceptions and actions in volatile conditions. Although anticipatory feelings pose measurement

challenges (Loewenstein & Lerner, 2003), they are crucial for understanding managerial responses to risk. Digitalization, through artificial intelligence and machine learning, increasingly provides data-driven aids; yet, successful human-machine collaborative decision-making requires a nuanced understanding of affective cognition, as the architecture of digital technologies mirrors the socio-emotional dimensions of the human mind (Samsonovich, 2020). Can affective reference points identify where “human” and “machine” perspectives converge or diverge in internationalization decision-making?

6.3 | Methodological recommendations

We encourage IB scholars to expand their methodological toolkit by incorporating techniques from psychology and human-machine interaction to better understand the role of affective cognition in internationalization decisions. Given the intrinsic nature of affective experiences, primary data collection should become more prevalent. By borrowing from psychology and decision science, methods such as experiments, eye-tracking, and laboratory-based inductions (Glaholt & Reingold, 2011) could provide insights into affective and non-affective influences on decisions. Simulating boardroom interactions with visual, audio, and embodied triggers of affect could allow for the study of managerial behavior in controlled environments (Quigley et al., 2014), offering new insights on how managers react to and possibly control affective responses.

7 | CONCLUDING REMARKS

The affect-enacted model presented in this paper brings us closer to the reality of managerial decision-making. The model is derived from the analysis of more than 20 years of individual-level studies in IB, revealing how managers use affective cognition in their internationalization decisions. Our review demonstrates a growing momentum of interest in managerial cognition and an increase in interdisciplinary borrowing, creating opportunities to advance the research agenda on affective cognition. This agenda has the potential to drive IB research forward at all levels of analysis and, crucially, to encourage theoretical advancement by revisiting—and most likely revising—the key axioms and assumptions of managerial decision-making.

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ENDNOTE

¹ In the context of this work, we use the term *affective cognition* to emphasize the fact that affective processes are naturally integrated into cognitive functions. On the contrary, *non-affective cognition* refers to cognitive processes that hypothetically involve purely logical, rational, and analytical thinking and are not influenced by *affect*. The term *affect* refers to an umbrella concept that identifies “any experience of feeling or emotion, ranging from suffering to elation, from the simplest to the most complex sensations of feeling” (American Psychological Association, 2020).

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