



Corporate and individual global mind-set and internationalization of European SMEs[☆]



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ABSTRACT

This paper analyzes the effect of individual and corporate global mind-set on the internationalization of small and medium-sized European firms. Factor analysis and structural equation modeling methodology are the tools for this purpose. Results show the importance of the relationships between individual global mind-set and internationalization effect, and between corporate global mind-set and international know-how activities. Research model recognizes the relationship between individual global mind-set and corporate global mind-set. This research contributes significantly to literature by providing insight into three key areas: factors relating to corporate GM, relationship between corporate GM and internationalization factors of SMEs, and relationship between individual GM and corporate GM.

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1. Introduction

Competition among firms is becoming fiercer. Competitors are emerging all over the world. In a global environment, recognizing the importance of developing a global mind-set (GM) is critical. A growing body of research indicates the importance of corporate GM for firm performance (Ananthram et al., 2010; Cohen, 2010). Nevertheless, literature provides insufficient insight into factors that make up corporate GM, relationship between corporate and individual GM, and effects on firms' internationalization.

Scholars tend to focus on the study of GM in large multinational companies (Gupta & Govindarajan, 2002; Nummela et al., 2004). Paul (2000, p. 200) claims, "smaller and medium-sized companies are obviously at a disadvantage [...] will have to redouble their efforts and make this a top priority issue."

Through a multidimensional approach, corporate GM integrates analytical posture, risk-taking posture, and aggressive posture (Venkatraman, 1989), as well as situational posture (Begley & Boyd, 2003) and strategic posture (Jeannet, 2000). The multidimensional perspective of individual GM integrates components of behavior (Bartlett &

Ghoshal, 1992; Levy, 2005), global knowledge (Arora et al., 2004; Gupta & Govindarajan, 2002), and cognition (Maznevski & Lane, 2004; Story & Barbutto, 2011).

This research draws upon resource-based view (Barney, 1991; Teece et al., 1997), mind-set theory (Gollwitzer, 1990, 1999), information-processing theory (Giaglis & Fouskas, 2011; Leonard et al., 1999), and internationalization theory (Rugman, 2005; Rugman & Verbeke, 2004). Factor analysis generates valid, reliable scales from a sample of 288 small and medium-sized European firms. Structural equation modeling is the data analysis method.

The purpose of this research is to understand the effect of individual and corporate GM on the internationalization of small and medium European firms. Research objectives comprise analyzing factors that individual and corporate GM explain and exploring how individual and corporate GM relate to internationalization factors. This research gains some knowledge of factors that relate to corporate GM, sheds light on the relationship between corporate GM and SMEs internationalization factors, and explores the relationship between individual and corporate GM.

The paper has the following structure: Section 2 provides theoretical background. Section 3 contains research model and hypotheses, factors and variables, and data collection procedure and measures. Section 4 presents empirical results. Section 5 proceeds with results discussion. Finally, Sections 6 and 7 conclude and present limitations, along with suggestions for further research.

2. Theoretical background

2.1. Individual global mind-set

Literature addresses individual GM in relation to individual actions and choices, and corporate GM in terms of company's posture and

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how strategy and actions reflect this posture in international arena (Levy et al., 2007). Individual GM refers to the ability to accept different cultures and markets, and to observe common patterns that, due to their complexity, lead to the identification of opportunities (Rogers & Blonski, 2010).

GM's main characteristic is the aptitude to associate different local cultures and markets with global dynamics (Gupta & Govindarajan, 2002). GM combines a knowledge structure with characteristics of high differentiation and high integration. Consequently, GM allows managers to assess reality in different contexts, cultures, or markets, and understand commonalities rather than emphasizing differences between countries (Jeannet, 2000).

From organization's multidimensional perspective, individual GM consists of global aptitude (including cognition), global knowledge, and global orientation (including behavior) (Felício et al., 2013; Yin et al., 2008).

2.2. Corporate global mind-set

Corporate mind-set is a combination of individual mind-sets while reflecting the interaction of individual mind-sets with the distribution of power in the organization. These internal processes form the collective mind-sets of group and organization (Gupta & Govindarajan, 2002). Beechler et al. (2004) observe a positive relationship between geocentrism and level of commitment between company and workers.

The development of corporate GM requires managers with a global mind-set to compete successfully and ensure growth in markets around the world. Practices supporting organizational policies on globalization derive from perception data about corporate mind-set (Talke, 2007). An important research question is therefore how to cultivate GM in organizations, accounting for firms' cultural and organizational aspects. Corporate GM has roots in routines, operating practices, processes, and behaviors, including experience, relationships, and social conventions. Corporate GM refers to the degree to which firms learn to think, act, and operate—both globally and as integrated entities—to reflect their structure and organization (Begley & Boyd, 2003; Jeannet, 2000). Corporate GM is an integrative, multidimensional aptitude whose roots lie in organization's heritage, dominant culture and mobilized resources. These factors shape organization's behavior and its overall strategic orientation regarding global market (Paul, 2000; Yin et al., 2008).

Organizational culture is a key factor in gaining and understanding corporate GM. For Fey and Denison (2003), organizational culture encourages learning from mistakes and client focus to take risks and develop skills to cope with change. Autonomy and risk-taking are especially important because they contribute to employee commitment, global orientation, and geocentricity of top management, ensuring organizational commitment (Sigler & Pearson, 2000). Among the factors affecting commitments formation are personal characteristics (e.g., education, experience, and gender) and organizational characteristics (e.g., organizational structure and group attitudes) (Gould-Williams, 2003).

2.3. Internationalization

Optimal market knowledge and ability to integrate information are important for internationalization (e.g., Knight & Liesch, 2002; Kyvik et al., 2013). Internationalization allows the development of appropriate products to meet customer needs and avoids potentially harmful competition with large multinational companies (Knight et al., 2004). Contact with customers contributes to rapid internationalization whose success requires the development of market specific knowledge (Soriano & Dobon, 2009; Weerawardena et al., 2007).

For a global company whose managers possess GM and international experience, know-how acquisition process positively influences internationalization (Weerawardena et al., 2007). Companies need skills

and access to resources to compete in international markets (Sapienza et al., 2006). The development of networks with different partners (e.g., universities, companies, industry associations, and experts) uncovers opportunities in foreign markets (McDougall et al., 1994) and encourages development of knowledge-intensive products (Smith et al., 2005). The use of networks facilitates knowledge acquisition and resources development (e.g., Nerkar & Paruchuri, 2005; Selnes & Sallis, 2003).

3. Methods

3.1. Research model and hypotheses

Research model explores the relationship between individual and corporate GM and the effect of internationalization, international networking activities, and international know-how activities (Fig. 1).

Literature review leads to the following hypotheses:

- H1 Individual GM positively influences internationalization effect.
- H2 Individual GM positively influences international networking activities.
- H3 Individual GM positively influences international know-how activities.
- H4 Corporate GM positively influences internationalization effect.
- H5 Corporate GM positively influences international networking activities.
- H6 Corporate GM positively influences international know-how activities.

3.2. Factors and variables

Cognition, knowledge, and behavior reflect individual GM, whereas analytical posture, risk-taking posture, aggressive posture, situational posture, and strategic posture reflect corporate GM. The dependent variables are *internationalization effect*, *international networking activities*, and *international know-how activities*. Table 1 details information on these constructs and variables.

3.3. Measures, data collection, and statistical instruments

Literature review justifies the choice of variables for this study. This study classifies variables according to a seven-point Likert scale that ranges from 1 (*totally disagree or inexistent*) to 7 (*totally agree or excellent*) (Felício et al., 2013; Talke & Hultink, 2010). Three variables are dummies. Using a large number of variables and factors raises the number of estimated parameters (Bagozzi & Yi, 2012). Final model contains 44 observed variables.

Using several databases, survey universe comprises 69,080 European (excluding Portugal) SMEs (source: Amadeus) and 11,462 Portuguese SMEs (source: Informa D&B and Amadeus) across all business sectors. Despite the large number of European SMEs, only 8% engage in export activities (European Commission, 2007).

Research adopts an exploratory approach, carrying out a quantitative study using a similar questionnaire to that of Paul (2000), with some adaptations. Following a pre-test, data collection takes place in January and February 2014 through online surveys. This data collection process yields a sample of 288 complete answers. Of these answers, 168 come from Portuguese small and medium-sized firms (58.3%) and 120 are European (excluding Portugal) SMEs (41.7%). All responding firms engage in international activities.

Structural equation modeling (SEM) splits overall model into measurement model and structural model. The first step involves confirmatory factor analysis (CFA), and the second step involves estimation of full research model.

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