

# Entrepreneurial Orientation and Global Mindset

*Impact on Internationalization of SMEs in India*

Ishaq Ahmad Dar and  
Mahesh Chandra Joshi

Lovely Professional University, Punjab  
E-mail: Ishaq\_99@rediffmail.com,  
darishaq777@gmail.com,  
mcjahd@gmail.com



ISSN 2348-2869 Print  
© 2016 Symbiosis Centre for Management  
Studies, NOIDA  
Journal of General Management Research, Vol. 3,  
Issue 2, July 2016, pp. 1–9

## Abstract

**Purpose:** *The study aims to examine the impact of Entrepreneurial Orientation and Global Mindset as determinants of Internationalization in Small and Medium sized Enterprises; and discusses implications to guide SMEs Owners/Management in their efforts to successfully internationalize businesses.*

**Design/Methodology/Approach:** *A survey was carried out on 200 SMEs located in India, which were involved in international business.*

**Findings:** *Entrepreneurial Orientation and Global Mindset impact positively on Internationalization, both Entrepreneurial Orientation and Global Mindset are found as determinants of Internationalization for SMEs in India.*

**Research Limitations:** *Data collection was done at a single point of time. Therefore, effect of changes over time was not allowed. Data was collected from SMEs located in northern India only.*

**Practical Implications:** *The positive impact of Entrepreneurial Orientation and Global Mindset on internationalization of SMEs would suggest that Owners/Management of*

*Indian SMEs should focus on Entrepreneurial Orientation and Global Mindset within their organizations. As they act determining factors for Internationalization of SMEs devising favorable strategies can lead a successful Internationalization.*

**Originality/Value:** *Studies focused on Internationalization of SMEs have been done primarily in the context of developed economies. SMEs have a significant contribution in emerging economies, but business practices of SMEs in these economies have not been studied extensively. This study extends the literature concerning determinants of Internationalization in an important emerging economy such as India.*

**Keywords:** Entrepreneurial Orientation, Global Mindset, India, Internationalization, Small and Medium-sized Enterprises.

## INTRODUCTION

Internationalization is a process of moving firms operations from domestic to international markets (Javalagi et al., 2003; Korsakiene and Tvaronaviciene (2012) defined Internationalization as an expansion of firm operations to foreign market places. According to Hessels et al., (2008) in general SMEs can adopt the strategy of Internationalization to have access and to build up resources, as has been done by some European SMEs to overcome their resource constraint. But as per Baldegger and Schueffel (2010) the prominent factors influencing Internationalization of SMEs are: Resources, Environment, Firm industry type and Personnel of firm.

A distinct feature of Globalization in developing countries has been the emergence of Multinational Firms. A large portion of these MNC's are Small and Medium

Enterprises, who seek to capitalize on the skills and capabilities they possess, attain growth to diversify their sources of revenue. Advancement in technology, decline in trade barriers, etc., are drivers of integrated economy, Globalization in this rapid form enabling Small and Medium Enterprises to go international in quick and effective manner (Kiran et al., 2013). SMEs are limited in their financial resources, home country focus and a small geographic base; SMEs lack the resources which are required for operating overseas (Kirby and Kaiser, 2003). In long term success of SMEs internationalization can become crucial especially when expectations of early stage international growth are made. 'Opportunistic portfolio approach' makes firms to more succeed in efforts of internationalization in comparison to the approaches of 'Stage' and 'Network'. The former model explains how firms can internationalize successfully (Smolarski & Wilner, 2005). To acquire knowledge of new markets and new technologies is promoted by internationalization (Naldi, 2008). As per Codotto (2008) generally SMEs go internationalize by four methods: Exports, Contractual agreements, Investment in productions and Strategic alliances. Traditionally exporting is used as the entry step in international markets and towards international expansion (Kogut & Chang, 1996). SMEs lack the financial resources for FDI when they go international so at beginning stage modes of exporting are adopted (Zahra et al., 1997).

There are several factors available both internal and external determining the internationalization of SMEs (Prefontaine & Bourgault, 2002; Wright et al., 2007). Internal factors are manageable by firms as firm specific resources, foreign business experience,

networking and strategic considerations are considered as internal factors (Che-Senik et al., 2010). Factors beyond firm's control are external factors including factors of industry and country (Ekeledo & Sivakumar, 1998; Koch, 2001).

### **Entrepreneurial Orientation**

Entrepreneurial orientation is defined as the firm's willingness of displaying proactive and innovative actions and taking up calculated risks for creating and exploitation of environmental opportunities (Dickson et al., 2008; Covin & Slavin, 1989). Further Covin et al. (2006) defined entrepreneurial orientation is a strategic construct including in its conceptual domain firm level outcomes and management related preferences, beliefs and behaviors expressed among top level management of firm. While Runyan et al., (2008) argued that there are evidences of Entrepreneurial Orientation through some visible entrepreneurial tendencies towards innovativeness, pro-activeness and risk taking. Miller (1983) proposed three mostly cited dimensions of Entrepreneurial Orientation are: Innovativeness, Pro-activeness and Risk taking. Further many scholars agreed with Miller (1983) statement. Therefore, Entrepreneurial Orientation involving a willingness to Innovation to rejuvenation of market offerings, taking of risks to try out new and uncertain products, services and markets and become more pro active towards market opportunities in comparison to competitors (Knight, 1997; Covin & Slavin, 1989; Zahra & Covin, 1995).

### **Global Mindset**

A number of researchers have viewed cognitive capabilities of decision makers as important

factors by which organizations outcomes are influenced (Gupta & Govindrajana, 2002; Murtha et al., 1998; Harveston et al., 2000; Levy, 2005). A different kind of mindset is required for being a successful global entrepreneur, companies need to be seen from a global perspective and a global culture must prevail in organizations (Scarborough et al., 2012). Cognitive psychology and organizational theory are parent fields from where the concept of Global mindset has been derived; this is how organizations and individuals sense the world they interact with (Gupta & Govindrajana, 2002). They further defined Global mindset as an openness and awareness firms and managers towards cultural diversities, market propensity and abilities synthesizing across divides. Similarly, Guy and Beaman (2003) described it is an individual's predisposition towards a particular international approach and experience. According to Rhinesmith (1995) Global mindset is a way of being rather than a set of skills. It is an ability of scanning the world from a wide perspective; look for unanticipated trends that may be consisting of opportunities and threats for achieving personnel, professional and organizational objectives. As per Nummela et al. (2004), the important drivers of Global mindset are managerial experience and market characteristics.

### **HYPOTHESIS**

As already indicated, the primary purpose of this study is to explain the impact of Entrepreneurial Orientation and Global Mindset on Internationalization of SMEs in India and to study whether these two firm's internal factors work as determinants of Internationalization of SMEs or not. The role of firm's internal and management

related factors on the internationalization of a firm are out of denial (Shamsuddoha et al., 2009). According to resource based theory of international business, the primary factors which stimulate international activities are resources and human capital. Resource Based View (RBV) of a firm emphasize on these firm capabilities and resources to building of competitive and sustainable advantages of a firm in markets it served. Entrepreneurial and managerial knowledge and skills are valuable inimitable human capital in the form of knowledge of markets, latest technologies, consumer choices and preferences, business connections, overseas market environments, and legal procedures that creates competitive and sustainable advantages and enhance organizational capabilities to mobilize company resources for its internationalization activities (Ruzzier et al., 2007). Therefore, this study proposes the following hypothesis:

- H1: Entrepreneurial Orientation has positive impact on Internationalization of SMEs
- H2: Global Mindset has positive impact on internationalization of SMEs
- H3: Entrepreneurial Orientation work as a determinant of Internationalization in SMEs
- H4: Global Mindset work as a determinant of Internationalization in SMEs

## RESEARCH METHODOLOGY

### Sampling and Data Collection Procedure

Data was collected from Small and Medium enterprises which were engaged in international business from the Punjab state of India. A random sample of 200 SMEs was selected from a sampling frame of 600 SMEs provided by several Government agencies (Department of Industries and Commerce,

Government of Punjab and MSME Development Institute Ludhiana, Punjab). Standardized questionnaire was used for all the three variables. The questionnaire was also pretested before final survey. Survey was conducted by visiting personally to the office addresses of selected SMEs. One questionnaire was targeted to every firm and questionnaire recorded the responses of person responsible for making international business decisions, sometimes head of international business or owner of the firm. Almost all the respondents were directly involved with international business activities of their firms.

### Measurement of Variables

There are three variables used in this study. 'Entrepreneurial Orientation' and 'Global Mindset' are independent variables and the variable 'internationalization' is a dependent one. A '5' point Likert scale was used to operationalize the independent variables. The construct of Entrepreneurial Orientation was divided into 25 statements similarly the construct of Global Mindset was divided into 12 statements on questionnaire. Under each statement respondent was asked to tick the number on scale indicating his agreement or disagreement about describing the characteristics of his company/firm ranging from '1' (strongly disagree) to '5' (strongly agree). For the dependent variable 'Internationalization' a multi item scale was used to record responses. The construct was divided into '4' statements with five alternatives choices for each statement. The statements were about percentage of company's last year's total sales from international operations, percentage of last year profits from international operations, total number of international markets, and duration of involvement in international

operations. All the statements pertained to the extent that firm is involved in international markets or international operations.

### Data Analysis

Data was collected through a questionnaire, responses recorded on '5' point Likert scale. Tools used were MS Excel for data handling and SPSS (Statistical Package for Social Sciences) as a data analysis tool. As we were to analyze the impact of Entrepreneurial Orientation and Global Mindset on Internationalization so, regression analysis was suitably matching technique as all assumptions were met. Linear regression was applied first between Entrepreneurial Orientation and Internationalization, taking Entrepreneurial Orientation as independent variable and Internationalization as dependent variable. Similarly linear regression was applied between Global Mindset and Internationalization, taking Global mindset as independent variable and Internationalization as dependent one.

## RESULTS AND DISCUSSIONS

The study is about to investigating the impact of Entrepreneurial Orientation and Global Mindset on Internationalization of SMEs. So, regression analysis has been applied. First, linear regression using SPSS was applied on Entrepreneurial Orientation and Internationalization, taking Internationalization as dependent variable and Entrepreneurial Orientation as independent variable. Second, linear regression was applied in similar manner on Global Mindset and Internationalization, taking Internationalization as dependent variable and Global Mindset as independent variable.

### Entrepreneurial Orientation and Internationalization

Before interpreting we have to check whether the model is fit or not, for this we come to ANOVA table from the output file of regression technique applied on Internationalization and Entrepreneurial Orientation. ANOVA table is given in Table 1.

**Table 1:** Table Representing ANOVA Summary

<i>Model</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1 Regression	.512	1	.512	.137	.000 <sup>b</sup>
Residual	740.243	198	3.739		
Total	740.755	199			

a. Dependent Variable: INT;

b. Predictors: (Constant), EO

To check the statistical significance of regression model that has been run. Here,  $p = 0.000$  which is less than 0.05, which means model is fit. Indicates that overall, the regression model statistically significantly predicts the output variable (i.e. it is a good fit for the data) so, we can interpret our model. Now we have to proceed and interpret the model summary table from output file given in Table 2.

**Table 2:** Table Representing Model Summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.630 <sup>a</sup>	.396	.395	29.83715

a. Predictors: (Constant), EO

b. Dependent Variable: INT

Table 2 represents the model summary of linear regression. This table provides the value of R, R square, adjusted R square and standard error of estimate. R value represents the simple correlation between the two variables Entrepreneurial Orientation and Internationalization. Simple correlation value is (0.630) indicates a moderate positive



correlation. R square value indicates how much of the total variation in dependent variable 'Internationalization' is explained by the independent variable 'Entrepreneurial Orientation'. Table 2 shows 39.6% change in Internationalization is caused by Entrepreneurial Orientation. Adjusted R square represents generalization of regression; its value should be same or close to value of R square. The value of adjusted R square (0.395) is very close to the value of R square (0.396) which means this is generalized to population.

**Table 3:** Table Representing Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	11.063	4.203	2.039	.042
	EO	2.021	.112	.630	18.064

a. Dependent Variable: INT

Table 3 shows that the value of B is 2.021 which are positive. Means there is a positive relationship between Entrepreneurial Orientation and Internationalization. The beta value is associated with the standard error which is used to determine whether or not beta value differ significantly from 0. To test the statistical significance of this variable, T test and the corresponding P value has been seen. It shows that the T value (18.064) is statistically significant (p = 0.000) means that Entrepreneurial Orientation as a determinant of Internationalization is making a significant contribution to model.

$$\text{Internationalization} = 11.063 + 2.021 (\text{EO}) + 29.83715$$

Results provide the support for H1 and H3 that means Entrepreneurial Orientation has a significant positive impact on Internationalization and works as a determinant of Internationalization for SMEs.

ization and works as a determinant of Internationalization for SMEs.

### Global Mindset and Internationalization

Before interpreting we have to check whether the model is fit or not for this we come to ANOVA table from our output file of linear regression technique applied between Internationalization and Global Mindset. ANOVA table is given in Table 4.

**Table 4:** Table Representing ANOVA Summary

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	.192	1	.192	.051	.000 <sup>b</sup>
	Residual	740.563	198	3.740		
	Total	740.755	199			

a. Dependent Variable: INT

b. Predictors: (Constant), GM

To check the statistical significance of regression model that has been run. Here, p = 0.000 which is less than 0.05, which means model is fit. Indicates that overall, the regression model statistically significantly predicts the output variable (i.e. it is a good fit for the data) so, we can interpret our model. Now we have to proceed and interpret the model summary table from output file given in Table 5.

**Table 5:** Table Representing Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.690 <sup>a</sup>	.442	.441	25.72614

a. Predictors: (Constant), GM

b. Dependent Variable: INT

Table 5 represents the model summary of linear regression. This table provides the values of R, R square, adjusted R square and standard error of estimate. R value represents the simple correlation between the two variables Internationalization and Global Mindset.

Simple correlation value is (0.690) indicates a moderate positive correlation. R square value indicates how much of the total variation in dependent variable 'Internationalization' is explained by the independent variable 'Global Mindset'. Table 5 shows 44.2% change in Internationalization is caused by Global Mindset. Adjusted R square represents generalization of regression; its value should be same or close to value of R square. The value of adjusted R square (0.441) is very close to the value of R square (0.442) which means this is generalized to the population.

**Table 6:** Table Representing Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.451	3.270		2.044	.039
	GM	4.042	.105	.595	20.011	.000

a. Dependent Variable: INT

Table 6 shows that the value of B is 4.042 which are positive. Means there is positive relationship between Global Mindset and Internationalization. The beta value is associated with the standard error which is used to determine whether or not beta value differ significantly from 0. To test the statistical significance of this variable, T test and the corresponding P value has been seen. It shows that the T value (20.011) is statistically significant (P = 0.000) means that Global Mindset as a determinant of Internationalization is making a significant contribution to model.

$$\text{Internationalization} = 11.451 + 4.042 (\text{GM}) + 25.72614$$

Results provide support for H2 and H4 that means Global Mindset has a significant positive impact on Internationalization and

works as a determinant of Internationalization for SMEs.

## CONCLUSION, IMPLICATIONS, LIMITATIONS AND FUTURE RESEARCH

The empirical findings of this research provide evidence that Entrepreneurial Orientation and Global Mindset have positive impact on Internationalization and both act as determinants of Internationalization for SMEs in India. Results support the findings of Javalagi et al., (2011) and Kumar (2012).

This study contributes to the literature as well as management practices of Small and Medium sized enterprises in relation to internationalization. This study provides a guideline for SME's owners and managers as to how they can benefit from these two firm's internal factors while in international business and at the time of entering into it. Building their knowledge and devising effective strategies for better success in their international operations. Data was collected from a northern state of India which is at the developing stage so, can be generalized to the similar kind of areas when further empirical support is provided. There are a number of other external and internal factors which differ from country to country, collectively these all influence the internationalization process of SMEs. Therefore, further research could be directed in this direction.

## REFERENCES

- [1] Baldegger, R.J., & Schueffel, P.E. (2010, January). An entrepreneurial perspective on SME internationalization. In *United States Association for Small Business and Entrepreneurship. Conference Proceedings* (p. 41). United States Association for Small Business and Entrepreneurship.

- [2] Codotto, L. (2008). *The Internationalization Strategy of the Italian Manufacturing SMEs: The Case of Imperia* (Doctoral dissertation, Ph D Dissertation, Wageningen University, The Netherlands).
- [3] Covin, J.G. & Slevin, D.P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10(1), 75-87.
- [4] Covin, J.G., Green, K.M. & Slevin, D.P. (2006). Strategic process effects on the entrepreneurial orientation – sales growth rate relationship. *Entrepreneurship theory and practice*, 30(1), 57-81.
- [5] Dickson, P.H., Solomon, G.T. & Weaver, K.M. (2008). Entrepreneurial selection and success: does education matter?. *Journal of small business and enterprise development*, 15(2), 239-258.
- [6] Ekeledo, I. & Sivakumar, K. (1998). Foreign market entry mode choice of service firms: a contingency perspective. *Journal of the academy of marketing science*, 26(4), 274-292.
- [7] Gupta, A.K. & Govindarajan, V. (2002). Cultivating a global mindset. *The Academy of Management Executive*, 16(1), 116-126.
- [8] Guy, G.R. & Beaman, K.V. (2003). Global Orientation and Sociolinguistic Accommodation as Factors in Cultural Assimilation. *International Journal of the Humanities*, 1, 990-1010.
- [9] Harveston, P.D., Kedia, B.L. & Davis, P.S. (2000). Internationalization of born global and gradual globalizing firms: The impact of the manager. *Journal of Competitiveness Studies*, 8(1), 92.
- [10] Hessels, J., Van Gelderen, M. & Thurik, R. (2008). Entrepreneurial aspirations, motivations, and their drivers. *Small Business Economics*, 31(3), 323-339.
- [11] Javalgi, R.R.G. & Todd, P.R. (2011). Entrepreneurial orientation, management commitment, and human capital: The internationalization of SMEs in India. *Journal of Business Research*, 64(9), 1004-1010.
- [12] Javalgi, R.R.G., Griffith, D.A. & Steven White, D. (2003). An empirical examination of factors influencing the internationalization of service firms. *Journal of Services Marketing*, 17(2), 185-201.
- [13] Kirby, D.A. & Kaiser, S. (2003). Joint ventures as an internationalisation strategy for SMEs. *Small Business Economics*, 21(3), 229-242.
- [14] Knight, G.A. (1997). Cross-cultural reliability and validity of a scale to measure firm entrepreneurial orientation. *Journal of business venturing*, 12(3), 213-225.
- [15] Koch, A.J. (2001). Factors influencing market and entry mode selection: developing the MEMS model. *Marketing Intelligence & Planning*, 19(5), 351-361.
- [16] Kogut, B. & Chang, S.J. (1996). Platform investments and volatile exchange rates: Direct investment in the US by Japanese electronic companies. *The Review of Economics and Statistics*, 221-231.
- [17] Korsakienė, R. & Tvaronavičienė, M. (2012). The internationalization of SMEs: An integrative approach. *Journal of business economics and management*, 13(2), 294-307.
- [18] Kumar, D. Entrepreneurial Orientation and Internationalization of SME's.
- [19] Levy, O. (2005). The influence of top management team attention patterns on global strategic posture of firms. *Journal of Organizational Behavior*, 26(7), 797-819.
- [20] Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management science*, 29(7), 770-791.
- [21] Murtha, T.P., Lenway, S.A. & Bagozzi, R.P. (1998). Global mind-sets and cognitive shift in a complex multinational corporation. *Strategic Management Journal*, 19(2), 97-114.
- [22] Naldi, L. (2008). Growth through internationalization: A knowledge perspective on SMEs.
- [23] Nummela, N., Saarenketo, S. & Puumalainen, K. (2004). A global mindset—a prerequisite for successful internationalization?. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, 21(1), 51-64.
- [24] Prefontaine, L. & Bourgault, M. (2002). Strategic Analysis and Export Behaviour of SMEs A Comparison between the United



- States and Canada. *International Small Business Journal*, 20(2), 123-138.
- [25] Rhinesmith, S.H. (1995). Open the door to a global mindset. *Training & Development*, 49(5), 34-44.
- [26] Runyan, R., Droge, C. & Swinney, J. (2008). Entrepreneurial orientation versus small business orientation: what are their relationships to firm performance?. *Journal of Small Business Management*, 46(4), 567-588.
- [27] Ruzzier, M., Antonci C.B., Hisrich, R.D. & Konecnik, M. (2007). Human capital and SME internationalization: A structural equation modeling study. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration*, 24(1), 15-29.
- [28] Scarborough, N.M., Idris, A., Che-Ha, N. & Saad, M.N. (2012). Entrepreneurship and sme development. Perspectives from Malaysia. Pearson Malaysia Sdn Bhd, Malaysia, pp. 160-199.
- [29] Shamsuddoha, A.K., Yunus Ali, M., & Oly Ndubisi, N. (2009). Impact of government export assistance on internationalization of SMEs from developing nations. *Journal of Enterprise Information Management*, 22(4), 408-422.
- [30] Smolarski, J.M. & Wilner, N. (2005). Internationalisation of SMEs: A micro-economic approach. *Journal of Business Chemistry*, 2(2).
- [31] Wright, M., Westhead, P. & Ucbasaran, D. (2007). Internationalization of small and medium-sized enterprises (SMEs) and international entrepreneurship: A critique and policy implications. *Regional Studies*, 41(7), 1013-1030.
- [32] Zahra, S.A. & Covin, J.G. (1995). Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of business venturing*, 10(1), 43-58.
- [33] Zahra, S.A., Neubaum, D.O. & Huse, M. (1997). The effect of the environment on export performance among telecommunications new ventures. *Entrepreneurship Theory and Practice*, 22, 25-46.