CHAPTER 1

A GLOBAL MINDSET – STILL A PREREQUISITE FOR SUCCESSFUL SME INTERNATIONALISATION?

Lasse Torkkeli, Niina Nummela and Sami Saarenketo

ABSTRACT

The concept of global mindset was introduced more than a decade ago as a prerequisite for successful internationalisation of small- and medium-sized enterprises (SMEs). However, the pace of global integration and globalisation has accelerated, and complexity has increased. Therefore, the authors ask: To what extent is global mindset still a critical driver for successful international expansion of SMEs? We are particularly interested in learning how global mindset is reflected in the decision making of internationalising SMEs in Finland. To answer this question, we test four propositions which concern the relationship between global mindset, decision-making logic and SME performance. Our empirical study is based on a cross-sectional sample of Finnish SMEs, and the authors find that global mindset seems to be linked to both effectual decision-making logic and improved international performance. On the other hand, in our data set effectual decision making and SME performance were not linked; thus, global mindset predicts international rather than overall performance of the Finnish SMEs. Overall, this study confirms the continued relevance of the global mindset concept. Furthermore, it indicates the connection between global mindset and entrepreneurial decision making and that their joint effect is relevant when explaining entrepreneurial internationalisation.

Keywords: Global mindset; SME internationalisation; effectuation; international performance; international entrepreneurship; Finland
INTRODUCTION

What drives successful internationalisation? The question has intrigued scholars for decades. Various antecedents to international performance have been identified, but researchers interested in internationalisation of small- and medium-sized enterprises (SMEs) have emphasised the role of top management. One of the most debated managerial characteristics has been global mindset, which is often understood as a manager’s openness to and awareness of cultural diversity and their ability to handle it (Andresen & Bergdolt, 2017).

More than a decade ago, Nummela, Saarenketo, and Puumalainen (2004) found that the internationalisation of SMEs in the Finnish information and communication technology (ICT) sector was driven by global mindset. The finding is quite plausible: The Finnish home market is small, and the potential international markets for the niche products of the technology intensive firms are vast. According to a recent study, international markets are still the main source of growth for Finnish SMEs (Kuismanen, Malinen, & Seppänen, 2017).

However, the global business environment has also been in constant change since the study of Nummela et al. (2004), and there have been major changes in the global economy, including the global market downturn towards the end of the 2000s, new challenges for globalisation and the recent rise of nationalism in favour of globalism, to name a few examples. At the same time, the Finnish entrepreneurial ecosystem has been in flux. Surprisingly, according to the latest Global Entrepreneurship Monitor (Suomalainen, Stenholm, Kovalainen, Heinonen, & Pukkinen, 2016), only 7% of Finnish early-stage entrepreneurs have strong international orientation – a clear decrease from the earlier report in 2014 – which can be considered modest on the European scale. As the Finnish economy is highly dependent on exports, the low international growth orientation among nascent ventures can be considered alarming. Nevertheless, more than 20% of Finnish SMEs that have international operations still consider international markets as the source of their future growth (Kuismanen et al., 2017). Consequently, evidence from earlier research, subsequent changes in the business environment and partly contradictory findings in recent studies offer a strong motivation for a follow-up study on the significance of global mindset among Finnish SMEs.

Instead of focusing only on the relationship between global mindset and SME performance, we decided to extend our view to include decision making. After all, managers’ willingness to commit to internationalisation may be moderated by their tolerance of risk and uncertainty (Johanson & Vahlne, 1977). Perceptions of uncertainty and risk are the root of decision makers’ cognitive biases, which mediate the relationship between the decision-making context and internationalisation (Liesch, Welch, & Buckley, 2011). These biases are further reflected in how managers make decisions about internationalisation, that is, whether they rely on causation-based or effectuation-based logic in their decision making (cf. Sarasvathy, 2001).

Unfortunately, prior studies have not linked the global mindset of managers and their decision-making logic together, so our understanding of the relationship between the two concepts remains limited. Nevertheless, as both concepts have been found to be important drivers of SME internationalisation, this study investigates the link between managers’ global mindset, their decision-making logic and
the company’s performance in Finland. Our theory-based framework and propositions were empirically tested with a representative sample of Finnish SMEs. The findings indicate that managers’ global mindset and decision-making logic are, indeed, important drivers of successful internationalisation.

Our study makes multiple contributions. First, it adds to the understanding of the major drivers of successful SME internationalisation by illustrating how two areas of managerial cognition – global mindset and decision-making logic – are related to successful internationalisation. Second, the study highlights global mindset as an important determinant of effectuation-based logic in decision making. Third, it provides empirical evidence that effectual decision making may not always be linked to SME performance. This last result is particularly interesting when juxtaposed with recent studies on effectuation in the domain of SME internationalisation and international entrepreneurship, for example, those by Nummela, Saarenketo, Jokela, and Loane (2014) and Andersson (2011).

The next section presents a literature review on global mindset and decision-making logic among internationalising SMEs. The review concludes with a framework with empirically testable propositions. Next, the research design is introduced, and the findings are summarised. We conclude by discussing the study’s implications on SME internationalisation from both theoretical and managerial perspectives.

GLOBAL MINDSET AND SME INTERNATIONALISATION

Global mindset refers to an individual’s capacity to function effectively in highly complex business environments across national boundaries (Andresen & Bergholt, 2017). As a concept it integrates the manager’s openness to and articulation of multiple cultural and strategic realities on global and local levels and his/her ability to manage geographically spread operations despite this diversity (Eriksson, Nummela, & Saarenketo, 2014; Levy, Beechler, Taylor, & Boyacigiller, 2007). International business scholars have applied the concept of global mindset in two main contexts: either as a characteristic of top management in multinational companies that leads to better global leadership or as a feature of SME managers that leads to successful entrepreneurial internationalisation. The focus of this study lies on the latter; thus, our review of prior research highlights studies that discuss global mindset as a feature of SME managers that generates successful entrepreneurial internationalisation. For an overview of prior knowledge on the phenomenon, we systematically scanned through approximately 400 recent studies on global mindset, starting from examining all citations drawn from Google Scholar, comparing the results with other more exclusive citation databases (e.g., Scopus) and concentrating on research published in ranked, peer-reviewed academic journals and books.

The results of this systematic literature review paint a picture of the relevance of global mindset. For instance, it has been discovered that the founders of small, rapidly internationalising high-tech companies are often active entrepreneurs who have a global mindset that gives them an international vision, proactivity and the commitment to search for international opportunities (Nummela et al., 2004; Oviatt & McDougall, 1995). In a recent study of Norwegian and
Portuguese SMEs, Kyvik, Saris, Bonet, and Felicio (2013) found a strong relationship between global managerial mindset and a company’s internationalisation behaviour. In a study of Norwegian, Portuguese and Lithuanian firms, Felicio, Duarte, and Rodríguez (2016) identified a similar linkage between global managerial mindset and a company’s internationalisation, and Laurell, Andersson, and Achtenhagen (2013) pointed toward similar implications in their case study in the life-sciences sector. Furthermore, using a series of case studies, Englis and Wakkee (2015) found the global mindset to be at the heart of global growth and opportunity for entrepreneurial ventures.

Another relevant concept related to global mindset is the cultural awareness which enables managers to perceive differences between cultures and to know what to expect when interacting with people from other cultures. Therefore, managers with high cultural awareness are more skilled than others in exploiting ‘culture-general’ and ‘culture-specific knowledge’ (Hofstede, 1980) and possibly are similarly skilled in recognising the dynamics of different cultures (Fang, 2010). Being able to identify cultural differences helps in selecting the appropriate tools for dealing with those from other cultures (Elo, Benjowsky, & Nummela, 2015). However, cultural awareness is no guarantee of a global mindset. It is also necessary to be able to recognise commonalities rather than just focus on differences between individual markets (Jeannet, 2000). As a result, managers with global mindsets consider the world to be one marketplace, are willing to proactively pursue foreign markets and are willing to commit time and resources to succeed in them (Nummela et al., 2004). Thus, a global mindset can be considered a meta-capability required for successful internationalisation (Eriksson et al., 2014).

Indeed, as prior research has shown (Lappe & Dörrenbächer, 2017; Nummela et al., 2004), the global mindset of an SME manager seems to be linked with improved success of the firm’s internationalisation efforts. It is easy to argue that managers with a global mindset are better equipped to deal with the complexity and dynamics of multicultural business environments (Levy et al., 2007). They can survey a global business environment and adjust quickly to the new environment (Andresen & Bergdolt, 2017). However, top management’s ability to apply individual-level competencies is influenced by the contextual settings in which the business operations take place (Elo et al., 2015).

Overall, when reviewing empirical research on global mindset and SME internationalisation, one article stands out in particular in being highly cited: Nummela et al. (2004) demonstrated in their study that Finnish ICT firms with a global mindset performed better on international markets than firms without a global mindset. Our literature review indicates that later research has mainly supported this conclusion, although the concept has also been linked to other aspects of internationalisation. For example, Felício et al. (2016) found that global mindset at different levels can influence internationalisation behaviour within SMEs, including their networking activities. There is also some support for the idea that the international scope of market reach may determine the extent to which global mindset and other managerial attitudes and capabilities are relied upon (Ismail & Kuivalainen, 2015).

The findings in our review indicate that global mindset has continued to be an important prerequisite for successful SME internationalisation. Recently,
researchers have also linked global mindset with decision making within SMEs. For example, Gaffney, Cooper, Kedia, and Clampit (2014) found that global mindset may also be an antecedent of a company’s decision making. We are aware that their study focused on emerging-market multinational enterprises and not SMEs, which are the focus of this study, but we consider this to be such an interesting insight that the link between global mindset and decision making deserves more attention.

**EFFECTUAL LOGIC AND SME INTERNATIONALISATION**

For the past 15 years, scholarly discussion on entrepreneurial decision making has beendominated by one approach, the effectuation theory (Sarasvathy, 2001), which has also beenapplied in the context of entrepreneurial internationalisation (e.g., Andersson, 2011; Nummela et al., 2014). Effectuation theory distinguishes betweentwo types of decision-making logic: causation and effectuation. *Causation*-based decision making is characterised by predetermined goal setting, intentionality, planning and systematic information gathering (Chandler, DeTienne, McKelvie, & Mumford, 2011; Fisher, 2012; Sarasvathy, 2001). It aims to build an efficient combination of existing resources and knowledge (Perry, Chandler, & Markova, 2012). However, when decision-makers experience high levels of uncertainty, for example, when entering international markets, they may use *effectuation*-based decision making, in which they base their decisions on affordable loss and act opportunistically and emotionally, instead of following rational calculations. Thus, effectuation logic helps the entrepreneur convert uncertainty into opportunity (cf. Sarasvathy, Dew, Read, & Wiltbank, 2008). The two decision-making processes complement each other as two distinct approaches to decision making (Sarasvathy, 2009), and they should be treated as distinct constructs (Chandler et al., 2011).

Earlier research on causation and effectuation in entrepreneurial internationalisation is scattered, and empirical findings are partly contradictory. This is not surprising, as the studies have been conducted in diverse contexts and have applied various research methods. Therefore, drawing strong conclusions based on existing research is challenging. Several studies have concentrated on the early phase of internationalisation, that is, the first international market entry. They point out that effectuation-based decision making may speed up the internationalisation process, particularly if supported with knowledge acquisition from business networks (Andersson, 2011). However, many aspects also remain inconclusive; for example, Mainela and Puhakka (2009) found that effectual decision making was preferred in markets with high uncertainty, but Chetty, Ojala, and Leppäaho (2015) found that in such an environment, companies preferred to make decisions on causation. Thus, the role of context remains unclear. Furthermore, scholars have not been able to agree on whether experience affects the choice of decision-making logic in entrepreneurial internationalisation. For example, Harms and Schiele (2012) argue that experienced entrepreneurs tend to use effectuation rather than causation. On the other hand, other studies (Gabrielsson & Gabrielsson, 2013; Kalinic, Sarasvathy, & Forza, 2014; Schweizer, 2011) suggest that during internationalisation, decision making eventually drifts towards causation-based methods.
The latter is also in line with the original thoughts of Sarasvathy (2001), who argues that effectual logic would be typical for the early stages of new venture creation, when uncertainty is the highest. However, this line of thinking has been challenged in a recent study by Galkina and Chetty (2015), who argue that environmental conditions – for example, a market with high uncertainty – are more decisive in terms of eliciting the use of effectual logic than the phase of internationalisation. Changes in external and internal environments, as well as other triggers, may be the reason why some studies found evidence that SMEs are not bound to one type of decision making but use a decision-making logic that varies between causation and effectuation (Chetty et al., 2015; Nummela et al., 2014).

SYNTHESIS AND PROPOSITIONS

To our knowledge, no prior study has examined the relationship between managers’ global mindset, their decision-making logic and their companies’ international performance. However, the existing research on global mindset, SME internationalisation and entrepreneurial decision making that we have discussed above provides us with insights, based on which we can draw propositions. The proposed relationships between the key variables are illustrated in Fig. 1.

To start with, we assume that managers with a global mindset are better able to deal with the complexity of foreign business environments and can anticipate changes. Therefore, we expect manager’s global mindset to have a positive impact on SME performance (P1). Furthermore, some studies (e.g., Englis & Wakkee, 2015; Felicio et al., 2016) suggest that global mindset has a multi-faceted impact on SME internationalisation. Thus, we expect that the impact of

![Fig. 1. The Research Model.](image-url)
global mindset will be positive, not only on overall SME performance, but also on international performance (P2).

Additionally, internationalisation often involves entering an unknown arena, which may seem risky, especially in the beginning of the process. Managers who can tolerate risk and make decisions under uncertainty adapt better to the novel situations that internationalisation may require (cf. Gaffney et al., 2014). Consequently, we propose that the global mindset/decision-making relationship extends to and is again particularly relevant in the context of SME internationalisation. We presume that managers with a global mindset prefer effectual decision-making logic (P3) and that the SMEs that use effectual decision-making logic also perform better on international markets (P4).

Next, we will describe the research design of our empirical study and the data used to test the framework presented in Fig. 1.

**RESEARCH DESIGN**

*Finland as a Research Setting*

The research question steered the choice of our research setting. The focus of this study was on the global mindset of internationalising SMEs; therefore, we sought to study the phenomenon in a country where the home market is rather small, and companies are motivated to pursue international markets. We may assume that companies within large home markets may not have the urge to internationalise, and thus finding a suitable and sufficient population of interest from such a country would be challenging. Finland is a small, open economy in which SMEs play a significant role and an increasing number of these firms are internationally active. In fact, every fifth Finnish SME already has international operations – primarily through exports – and the majority of all SMEs consider international expansion as their primary growth strategy (Kuismanen et al., 2017).

On the other hand, not all Finnish firms are internationally oriented. International orientation is particularly rare among nascent ventures in Finland, especially compared with firms in other European countries (Suomalainen et al., 2016). Thus, this empirical context provides a sufficient population of companies with global mindset but also the required variation among respondents to draw meaningful conclusions. Furthermore, given the importance of exports to the Finnish economy, our findings would be very relevant. In our opinion, these aspects make Finland as a suitable research setting and improve the applicability of our research.

*Data Collection*

To test the propositions, we used a cross-sectional sample of Finnish SMEs. We drew up the initial cross-sectional sample of firms from the Amadeus online database, adhering to the SME definition of the Organisation for Economic Cooperation and Development (OECD), that is, firms employing 10–250 employees. After the initial screening, the sample of firms totalled 1,052. To collect the data, we constructed an online survey instrument using the Qualtrics online
survey tool. The items were translated into Finnish, after which a professional language editor was employed to back-translate the questionnaire. The resulting items were then compared with the original English ones to ensure the accuracy of the translation process. Finally, the questionnaire was pre-tested with managers from different fields.

The data-collection process proceeded as follows: First, we chose a range of industry sectors from the Amadeus database to be included in the sample in order to maximise the generalisability of the results across different entrepreneurial contexts. A total of 16 industry sectors, ranging from construction to chemical products, from electricity products to motor vehicle manufacturing and from waste management to medical suppliers were included in the sample. Second, we used a key informant approach, that is, we contacted the companies by phone to determine their willingness to participate and then asked for a company representative to fill out the survey. As this was a sample of SMEs, in most cases the key informant was the chief executive officer (CEO). Volunteers received the questionnaire link via e-mail; two weeks later, the volunteers received a reminder to ensure that as many questionnaires as possible would be returned. As a result, data collection yielded 148 usable surveys, thus yielding a 14% (148/1,052) response rate. As mentioned earlier, the respondents were mainly CEOs (84%) or others in key managerial positions.

The response rate for the survey was not as high as we had anticipated. Unfortunately, mail surveys that target small-business owners tend to yield lower response rates (Bartholomew & Smith, 2006; Newby, Watson, & Woodliff, 2003), and Finland is no exception in this respect (see Autio, Sapienza, & Almeida, 2000). Scholars have tried to improve response rates, but these attempts have not been very successful (Dennis, 2003). Fortunately, recent evidence suggests that low response rates in entrepreneurship studies do not necessarily bias results (Rutherford, O’Boyle, Miao, Goering, & Coombs, 2017). Thus, instead of focusing on the response rate, we assessed the validity and reliability of the study, which required thorough testing for possible biases (Babbie, 1975).

In our testing for biases, we applied several techniques. To account for any non-response bias, we compared the early and late respondents, in line with Armstrong and Overton (1977). In addition, to account for potential common method bias, we sought to follow, ex-ante, the guidelines set forth by Podsakoff, MacKenzie, Lee, and Podsakoff (2003) as much as possible. The measures we took included guaranteeing respondents’ anonymity, and, as the variables used in this study were derived from a larger survey inquiring about a variety of issues concerning SMEs, we considered it unlikely that the respondents had been consciously responding with expected theoretical linkages in mind. We also used several negatively worded items to avoid the halo effect, and the items for the proposition testing used in this study were placed in different parts of the questionnaire. Additionally, we included objective indicators (balance-sheet data) in the data set through the Amadeus database and used those indicators as outcome (dependent) variables in the analysis. Finally, we conducted Harman’s single factor test to check for common method biases in analyses in which the objective data were not directly employed. We did not find any signs of common factors underlying the data.
Measures

To assess managers’ global mindset, we applied the measure developed by Nummela et al. (2004). The specific items, assessed through a 7-point Likert scale, were combined into a one-factor solution using principal component analysis through the varimax rotation method (Table 1). To measure effectuation, we adapted the measure developed by Chandler et al. (2011) by dividing the original scale into items describing causation and effectuation, in line with the suggestions of Perry et al. (2012), resulting again in a single factor measure. We assessed overall performance and international performance through both subjective and objective indicators; for the latter, we obtained a one-factor solution. The corresponding measure for total performance was calculated from the companies’ responses when they were asked to assess the performance of their firms across four areas (growth of turnover, market share, overall profitability and customer profitability). The one-factor solution captured 66% of the total variance (Kaiser-Meyer-Olkin test value (KMO) = 0.71, Bartlett’s test $p < 0.01$), with communalities between 0.57 and 0.72, and with factor loadings between 0.76 and 0.85. Cronbach’s alpha for the resulting measure was 0.83, again indicating a sufficiently reliable scale.

To supplement this subjective international performance measure and to avoid potential issues with common method bias further, we also calculated an objective measure, that is, the total degree of internationalisation. In line with Sullivan (1994), we calculated a measure for degree of internationalisation by capturing scale and scope aspects, consisting of the share of turnover from abroad and the total number of countries in which the firm was operating. The two variables were standardised and calculated into a sum scale. In addition, we controlled for company age (in years) and size (number of employees), as effectual logic tends to be highlighted in uncertain environments (Sarasvathy, 2001, 2009), and longer company history and increased resources may contribute to decreases in such uncertainty. The final items and factor analysis indicators are listed in Table 1, and the descriptive statistics and inter-correlations between all the variables described previously are illustrated in Table 2.

THE RELATIONSHIP BETWEEN GLOBAL MINDSET, EFFECTUATION AND SME PERFORMANCE

We first tested, through linear regression modelling, whether having a global mindset predicted effectual decision-making logic. The results, as seen in Table 3, provided support for this notion and, thus, P3. The first model with the control variables included was not statistically significant ($F = 1.50, p > 0.05$), and neither of the control-variable coefficients was significant (Table 3, Model 1). When the measure for global mindset was added (Table 3, Model 2), the overall model was statistically significant ($F = 3.57, p < 0.05$, $R^2 = 0.08$), and the coefficient for global mindset was positive and significant ($\beta = 0.24, p < 0.01$). Thus, global mindset predicted increasingly effectual thinking and supported the corresponding proposition.
Table 1. The Factor Structures of the Variables.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Total Variance Captured (%)</th>
<th>KMO</th>
<th>Bartlett’s Test of Sphericity</th>
<th>Communalities</th>
<th>Factor Loadings</th>
<th>Cronbach’s Alpha</th>
<th>Items Included</th>
</tr>
</thead>
</table>
| Global mindset           | 87                         | 0.91      | $p < 0.01$                    | 0.89–0.95           | 0.93–0.97       | 0.97           | • Internationalisation is the only way for us to reach our growth target.  
  • We must become international to succeed in the future.  
  • It is important for our company to become international quickly.  
  • Management spends a large amount of time planning our international activities.  
  • The growth we are aiming for is reached mainly through internationalisation.  
  • Our company’s founder/owner/management is willing to take the organisation to international markets.  
| Effectuation             | 71                         | 0.65      | $p < 0.01$                    | 0.54–0.81           | 0.73–0.90       | 0.80           | • We experimented with different products and business models.  
  • Our product/service concept is quite different from our original conception.  
  • We tried many different approaches until we found a functional business model.  
| International performance| 67                         | 0.84      | $p < 0.01$                    | 0.59–0.82           | 0.74–0.91       | 0.92           | • Generally speaking, we are satisfied with our success in international markets.  
  • We have achieved the turnover objectives we set for internationalisation.  
  • We have achieved the market-share objectives we set for internationalisation.  
  • Internationalisation has had a positive effect on our company’s profitability.  
  • Internationalisation has had a positive effect on our company’s image.  
  • Internationalisation has had a positive effect on the development of our company’s expertise.  
  • The investments we have made in internationalisation have paid themselves back well. |
Next, we tested P1, that is, that global mindset would predict higher levels of company performance. Neither the model with the control variables (Table 3, Model 3; $F = 0.67, p > 0.05$) nor the one with the main effects (Table 3, Model 4, $F = 0.93, p > 0.05$) was significant, and neither was the coefficient for global mindset. Thus, P1 was not supported. Next, we tested for similar effects on international performance. The first model (Table 3, Model 5) with the control variables was statistically significant ($F = 3.92, p < 0.05$). The size of the company was linked to better international performance. With the full model (Table 3, Model 6), the model overall increased in statistical significance and predictive power ($F = 15.69, p < 0.01$, $R^2 = 0.34$). As the coefficient for global mindset was positive and significant ($\beta = 0.57, p < 0.01$), we concluded that the level of global mindset predicted approximately a quarter of the international performance within SMEs. Conversely, the coefficient for effectuation was non-significant and negligible ($\beta = -0.09, p > 0.05$). Thus, P2 was supported, while P4 was not.

To explore the results further, we conducted a post-hoc test to find out whether effectual thinking moderates the positive relationship between global mindset and international performance. However, while the overall moderation was statistically significant ($F = 11.97, p < 0.01$), the explanatory power (adjusted $R^2 = 0.30$) came squarely from the global mindset coefficient ($\beta = 0.58, t$-value = 5.97, $p < 0.01$). Conversely, neither the coefficient for effectual logic ($\beta = -0.03, t$-value = -0.039, $p > 0.01$) nor the interaction variable ($\beta = 0.07, t$-value = 0.75, $p > 0.01$) was statistically significant. Thus, we conclude that the positive impact of global mindset on international performance was not contingent on companies’ decision-making logic.

Finally, we conducted a robustness check by analysing objective international performance (degree of internationalisation). The results confirm the findings from the subjective international performance measure, as the model (Table 3, Model 8) was statistically significant ($F = 2.72, p < 0.05$), and the global-mindset coefficient was both positive and significant ($\beta = 0.26, p < 0.05$).

In sum, the analysis found support for P2 and P3, in that effectual thinking was found to be determined by the managers’ global mindset, and global mindset predicted higher levels of international performance as measured through both subjective and objective indicators. Conversely, P1 and P4 were not supported.

### Table 2. Means, Standard Deviations and Correlations between the Variables Used in the Analysis.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean (SD)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Global mindset</td>
<td>3.48 (2.21)</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Effectuation logic</td>
<td>3.66 (1.40)</td>
<td>0.25**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Subjective performance</td>
<td>4.82 (1.09)</td>
<td>0.04</td>
<td>0.17</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Subjective international</td>
<td>4.22 (1.45)</td>
<td>0.55**</td>
<td>0.03</td>
<td>0.33**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Objective international</td>
<td>0.31 (1.82)</td>
<td>0.60**</td>
<td>0.22*</td>
<td>-0.01</td>
<td>0.62**</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Firm age [years]</td>
<td>30.31 (24.32)</td>
<td>0.36**</td>
<td>0.12</td>
<td>0.01</td>
<td>0.21*</td>
<td>0.23*</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>7. Firm size [employees]</td>
<td>48.80 (47.09)</td>
<td>0.29**</td>
<td>0.14</td>
<td>0.06</td>
<td>0.31**</td>
<td>0.21</td>
<td>0.22**</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Notes: *$p < 0.05$, **$p < 0.01$. 
Table 3. Results of the Hypotheses Testing.

<table>
<thead>
<tr>
<th></th>
<th>Model 1 (Controls Only)</th>
<th>Model 2 (Effectuation)</th>
<th>Model 3 (Controls Only)</th>
<th>Model 4 (Full Model)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\beta$</td>
<td>$t$-Value</td>
<td>$\beta$</td>
<td>$t$-Value</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.13</td>
<td>1.42</td>
<td>0.06</td>
<td>0.71</td>
</tr>
<tr>
<td>Firm age</td>
<td>0.01</td>
<td>0.61</td>
<td>0.02</td>
<td>0.28</td>
</tr>
<tr>
<td>Global mindset</td>
<td>0.24</td>
<td>2.75**</td>
<td>0.24</td>
<td>2.75**</td>
</tr>
<tr>
<td>Effectuation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.02</td>
<td>0.08</td>
<td>0.06</td>
<td>0.13</td>
</tr>
<tr>
<td>Change in $R^2$</td>
<td>1.50</td>
<td>3.57*</td>
<td>0.67</td>
<td>0.93*</td>
</tr>
<tr>
<td>$F$</td>
<td></td>
<td></td>
<td>3.57*</td>
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Subjective International Performance

<table>
<thead>
<tr>
<th></th>
<th>Model 5 (controls only)</th>
<th>Model 6 (full model)</th>
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<tbody>
<tr>
<td></td>
<td>$\beta$</td>
<td>$t$-Value</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.24</td>
<td>2.24*</td>
</tr>
<tr>
<td>Firm age</td>
<td>0.12</td>
<td>1.07</td>
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<tr>
<td>Global mindset</td>
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<td>6.00**</td>
</tr>
<tr>
<td>Effectuation</td>
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<td>−0.94</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.09</td>
<td>0.34</td>
</tr>
<tr>
<td>Change in $R^2$</td>
<td>3.92*</td>
<td>15.69**</td>
</tr>
<tr>
<td>$F$</td>
<td></td>
<td>3.92*</td>
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Objective International Performance

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<tbody>
<tr>
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<td>Change in $R^2$</td>
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<td>15.69**</td>
</tr>
<tr>
<td>$F$</td>
<td></td>
<td>3.92*</td>
</tr>
</tbody>
</table>

Notes: *Significant at 0.05 level; ** at 0.01 level (two-tailed).
by the analysis, as effectual logic was not found to have a positive impact on performance measures, and global mindset predicted international performance only. In the following sections, we discuss the findings from the viewpoint of the research setting, that is, in the context of the Finnish economy.

**DISCUSSION**

In this study, we scrutinised the link between managers’ global mindset, their decision-making logic and their companies’ international performance. Our theory-based framework and four propositions were empirically tested with a sample of Finnish SMEs. The findings indicated that effectual decision-making logic is determined by the managers’ global mindset, thereby extending earlier results in an emerging market MNE context (Gaffney et al., 2014) to SMEs originating from a small, developed, open-economy context. Furthermore, we found that global mindset predicts a company’s higher levels of international performance. However, effectual logic was not found to drive company performance, and global mindset predicted international performance only. We also tested for a moderation effect and found that the positive impact on global mindset on international performance of the Finnish SMEs was not contingent on effectual thinking.

Obviously, our findings are context specific. The Finnish economy has traditionally been export-driven and dependent on entrepreneurs and managers who are able and willing to seek growth outside the relatively small and logistically isolated domestic market at the edge of Europe. Thus, businesses in the country have also been affected by the developments in the global economy, and challenging times have reflected on the Finnish economy as well: For instance, during the global market downturn starting in 2008, the rate of exports from Finland declined from about 65 million Euros to about 45 million and have only recently reached the levels of 2006 (The Statistical Yearbook of Finland, 2016). Distinguishing the factors that separate the enterprises that are successful in internationalisation from those that are less successful in internationalisation is relevant in any context, but especially timely after global downturns that test the strategies and decision-making abilities of entrepreneurs who look at international markets as a source of growth for their enterprises. In this sense, our results, based on data collected after the global market downturn, help to clarify and highlight the importance of having the appropriate managerial mindset and decision-making logic, as these seem to affect SMEs’ ability to navigate international markets to their benefit.

When compared to the studies conducted on global mindset in other contexts, the results of this study also paint an interesting picture. In some way, they support earlier research and current understanding of managers’ global mindset as an antecedent of successful SME operations abroad (Felicio, Caldeirinha, & Ribeiro-Navarrete, 2015; Kyvik et al., 2013). This indicates that as a concept, global mindset transfers across borders, and its impact is not dependent on the country of origin of the entrepreneur. Its role as a driver for successful entrepreneurial internationalisation may even be generalisable to other empirical contexts.
On the other hand, our findings did not demonstrate that decision-making logic had as strong a role based on earlier research on risk-taking and uncertainty avoidance (e.g., Johanson & Vahlne, 1977; Liesch et al., 2011). We take this to imply that the international success of SMEs is not necessarily contingent on the extent that their managers engage in strategic or effectual thinking; instead, it is their overall mindset that matters. However, the findings do indicate that operating under effectual logic can help managers in developing that mindset. Thus, our study extends the study of Englis and Wakkee (2015) by pointing out how not only the entrepreneurial opportunities themselves but also the entrepreneurial type of logic employed can be linked with global mindset in explaining entrepreneurial outcomes across different contexts.

CONCLUSION

Our findings have important implications for both research and practice. It appears that globally minded managers are better prepared to deal with the complexities and dynamics of the international business environment, which is manifested by superior international performance. Furthermore, while effectuation does not drive better international performance, our results indicate that globally minded managers tend to lean more towards effectuation-based logic in their decision making; thus, they seem to better understand how to convert uncertainty into opportunity. Therefore, the study elevates the global-mindset context, enriching the discussion from previous studies on effectuation and its role in international entrepreneurship (e.g., Andersson, 2011; Harms & Schiele, 2012; Kalinic et al., 2014).

As always, our study has its limitations. The reader should keep in mind that this study is cross-sectional in nature and provides only a snapshot view of the companies’ activities. Therefore, we cannot draw strong conclusions on the directions of the relationships in our model. More rigorous testing with several samples and longitudinal research designs are warranted. Additionally, the single-country context arguably represents a limitation, as literature has indicated that effectuation and global mindset are, to an extent, context dependent; thus, a further comparative study should be conducted to ensure the results are robust across different national and cultural settings.

Another limitation of this study is that we did not examine in detail the origins and the development of the global mindset itself. For instance, Kyvik et al. (2013) found that several individual characteristics of the entrepreneur can impact the development of a global mindset: work experience, propensity to interdisciplinary collaboration, cognitive flexibility and one’s networking capability. Felicio, Caldeirinha, and Rodrigues (2012) also highlighted the characteristics of the individual, yet we do not yet know what is the impact of the development of global mindset on the networking activities of SMEs at the organisational level, and herein lies potential for future research. In addition, the international orientation of the entrepreneur is yet another individual-level concept that this study did not include within its empirical setting.

Furthermore, Finland is a small, open economy but is also culturally relatively homogeneous. This shows in the current study, as almost all the respondents
were ethnic Finns. This may have a negative impact on the respondents’ awareness of cultural differences and ability to deal with diversity. On the other hand, due to the size of the domestic market, Finland is an export-driven economy, which may also push entrepreneurs to identify international opportunities, thus favouring global mindset. These two contradictory forces may be one explanation why the global mindset of the respondents was of average level (3.5 on a 7-point scale). We consider this an interesting juxtaposition and an area worthy of further investigation.

In general, future studies on global mindset and decision making in SMEs would benefit from building on fundamental theories that go beyond standard international business and entrepreneurship literature. One such candidate is the prospect theory, developed by two psychologists, Kahneman and Tversky (1979). It is a descriptive account of individual decision making under risky conditions, and despite its prominence, it is surprisingly unknown among business scholars. Thus, empirical applications of the prospect theory are rare.

In conclusion, our study has added to our understanding of the role of global mindset in SMEs, and the answer to the question asked in the title, ‘Global mindset – still a prerequisite for successful SME internationalisation?’ is, according to the empirical results of this study, a resounding ‘yes’. Indeed, after more than a decade of research on the phenomenon, the concept of global mindset remains an important one for successful internationalisation of SMEs and as a determinant of managerial decision-making logic to boot. Thus, we welcome even more research to investigate the dynamics of global mindset and decision-making logic in driving the internationalisation of SMEs and their subsequent performance in international markets.

ACKNOWLEDGEMENTS

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REFERENCES


