

Cognitive and Information-Based Capabilities in the Internationalization of Small and Medium-Sized Enterprises: The Case of Croatian Exporters

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The purpose of this study was to explore the impact of information and cognitive-based capabilities on the international performance as the main rationale behind successful internationalization. The study was conducted on a sample of 125 Croatian exporting small and medium-sized enterprises (SMEs), and results indicate that there is a significant influence of the cognitive and information-based capabilities on the SME export performance. The results implicate the role of cognitive complexity as a platform for successful processing of foreign market intelligence which has value-added impact on the SME's export performance.

Introduction

In the current internationalization literature, two research traditions have evolved: traditional and “born global.” The traditional view stresses the importance of knowledge and tangible resources in the firm’s path toward internationalization. The “born global” approach offers a rather unique perspective, stating that the main drivers of international involvement revolve around a managerial global focus. Earlier research efforts, both in the theoretical and empirical domains, have identified a

global mindset as a driver of small and medium-sized enterprise (SME) internationalization, being directly related to international performance outcomes (Hsu, Chou, and Hsu 2008; Levy et al. 2007; Nummela, Saarenketo, and Puumalainen 2004). Managerial cognition is part of the function of identifying international market opportunities that fulfill company objectives. The traditional approach emphasizes the importance of information-based factors in the internationalization process of a firm. On the other hand, information-based capabilities enable firms to leverage competitive

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advantage, through understanding the needs of foreign customer, the competitive structure, and other decisive factors from the general business environment. Notably, information-based capabilities have been operationalized through the behavioral tradition of the market orientation (MO) concept (Jaworski and Kohli 1993). More recently, Foley and Fahy (2009) have proposed a capability perspective to the MO, defining its core role in the domain of intangible corporate resources. In such a manner, MO is manifested as an operative marketing capability of the firm, which enables them to identify and seize market opportunities, according to market intelligence. However, the foreign environment is far more complex than the domestic one and thus requires more resource commitment. Regarding these contextual specifics, researchers have called for the conceptualization and application of an export market orientation (EMO) (Diamantopoulos and Cadogan 1995). Recently, a number of research efforts have confirmed the plausibility of the EMO concept in an export context, as it is significantly linked to international performance outcomes (Akyol and Akehurst 2003; Cadogan, Diamantopoulos, and de Mortanges 1999; Cadogan, Diamantopoulos, and Siguaw 2002; Murray et al. 2007). Nevertheless, there is evidently a need for further investigation of latent capabilities in the international context and their role in a firm's internationalization path (especially in the case of SMEs, which generally lack tangible resources). Recently, intangible capabilities have proven to be important drivers of SME internationalization (Knight and Kim 2009). Accordingly, the main aim of this study is to examine the direction and extent of the EMO activities and global mindset (as latent SME capabilities) and their influence on the international performance of SMEs. Another question that arises revolves around the mediating role

of global mindset in the previously validated EMO international performance link. Ultimately, this entails appraising the contribution of cognitive complexity in the internationalization process of SMEs. Alternatively, the integration of information-based and cognitive-based capabilities has an objective of integrating concepts from the traditional (information resources) and "born global" approaches (global mindset) to internationalization. The aim is to offer empirical evidence that superficially opposing theoretical traditions can provide a synergistic effect in advancing both the theoretical and practical foundations of SME internationalization.

The paper is therefore structured as follows. First, a theoretical reconciliation between incremental and born global traditions is proposed. This is followed by the research hypotheses. The research design is then explained, along with the operational definitions and various essential analytical issues. The methodology section is followed by the results with respect to measurement properties and the structural model. The discussion of research results is then considered in terms of theoretical and managerial implications. Finally, some limitations and suggestions for further research are presented.

Conceptual Development

SME Internationalization:

Reconciliation of

Theoretical Traditions

Current research offers two relatively independent internationalization traditions: incremental and "born global." Internationalization does not occur instantly because firms go through stages (incremental steps) of involvement, as suggested by the Uppsala model (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977, 1990). The Uppsala model identifies the central role of information resources in influencing the firm's advancement through increas-

ing international commitment. Although the “born global” approach is unlikely to become a generalized framework, the ideas arising from it could well be utilized in defining the framework for SME internationalization. The “born global” approach suggests that, besides tangible resources, other latent resources and capabilities should be considered as well (Andersson and Wictor 2003; Luostarinen and Gabrielsson 2006; Moen and Servais 2002; Oviatt and McDougall 1994; Rialp, Rialp, and Knight 2005).

In Table 1, the traditional driving forces from opposing internationalization theories have been conceptually adapted. Global vision, arising from the appropriate managerial mentality, has often been proposed as the main driver of internationalization in the case of “born global” firms. Moreover, the global mindset could also be considered as the form of managerial mentality and dynamic capability, which impacts on the internationalization process, particularly in the case of SMEs (Weerawardena et al. 2007). As defined by Nummela, Saarenketo, and Puumalainen (2004), global mindset represents the manager’s proactive and committed behavior toward international venture opportunities and international vision. In line with this view, Bartlett and Ghosal (1989) stated that the managerial mentality is in the process of overcoming the gap between the domestic and foreign business environments.

In several research studies, EMO activities have been used as a proxy for information management activities in foreign markets. EMO activities comprise the acquisition, dissemination, and the response to international market intelligence and are related significantly to international performance (Cadogan, Diamantopoulos, and Siguaw 2002; Rose and Shoham 2002; Murray et al. 2007). Recently, Foley and Fahy (2009) have proposed a “capability lens” approach in studying the MO phenomena and its impact on company performance. In a same manner, EMO activities should be regarded as vital capabilities for exporting firms, especially in the case of SMEs who lack other tangible resources.

Several researchers have stressed that global mindset should serve as a platform which fosters effective managerial responses in the international context (Bird and Osland 2004). As an operative managerial activity in foreign markets, EMO is influenced by the managerial mindset. The existence of a strong interrelation between global mindset and EMO activities is evident in the internationalization process of firms. The previously presented theoretical propositions emphasize and validate the role of cognitive and information-based antecedents as the core capabilities impacting on international performance, yet belonging to various conceptual traditions of internationalization theory.

Table 1
Conceptual Adjustments of Key Internationalization Drivers in Traditional and “Born Global” Approach

Internationalization Drivers	Conceptual Adaptation
Global Vision (“Born Global”) Information-Management Activities (Traditional)	Global Mindset EMO Activities

Research Hypotheses

EMO and International Performance of SMEs. Cadogan, Diamantopoulos, and de Mortanges (1999) were the first researchers to establish the empirical link between the EMO and export performance (EP). Building on their results, Cadogan, Diamantopoulos, and Siguaw (2002) empirically tested a conceptual model of the antecedents and consequences of EMO. The findings from their study indicate that the more the firm is bounded to EMO activities, the higher the EP it will leverage. Akyol and Akehurst (2003) found a positive relationship between EMO and EP in the Turkish export context and were the first to apply EMO to emerging markets. Cadogan, Cui, and Kwok Yeung Li (2003) tested an empirical model in which they explicitly modeled the moderating effects of competitive intensity and technological turbulences on the EMO–EP link. The results indicate that in highly competitive markets, EMO activities exert both positive and significant effects on two of the EP elements (export sales growth and export sales profits). Recently, Murray et al. (2007) found that EMO scales are invariant between Chinese and non-Chinese export ventures but have differential effects on EP components.

The EMO concept has not yet been explored in the SME research context. However, there are a number of studies which indirectly confirm the plausibility of EMO in the SME context. Kara, Spillan, and DeShields (2005) found a positive relationship between MO and business performance (BP) in the SME retail services context. Similar to the MO concept, the entrepreneurial orientation (EO) received significant attention from the SME researchers. Kreiser, Marino, and Weaver (2002) conducted a psychometric assessment of the EO measurement scale and found that it possesses both validity and reliability and that it significantly impacts on the BP. Li et al. (2008) attempted to identify a possible moder-

ating effect of EO on the MO–BP link, and found that innovation and proactiveness (as dimensions of EO) are positively related to the MO and BP link. Subsequently, Runyan, Dröge, and Swinney (2008) introduced a structural model of EO, a small-business orientation (SBO) and BP. The results revealed that in the case of younger SMEs, only EO has a significant influence on BP, and that in case of older SMEs, there is a significant link between SBO and BP. Cadogan et al. (2006) warned that SMEs mostly withdraw from EMO activities, if they lack the necessary resources, which is often the case. In their structural model of MO influence on the export learning process and EP, Armario, Ruiz, and Armario (2008) found that in order to remain competitive, SMEs must spend more time seeking valuable sources of export information. In their recent study, Frishammer and Andersson (2009) reported an insignificant influence of EO and MO on SME international performance. They argue that such results can be attributed to the inappropriate conceptualization of the MO (based on a cultural perspective), explaining that MO needs to be more operative and pragmatic in the foreign market context. Knowledge about international markets gives SMEs essential expertise for understanding foreign competitors, customers, and available modes of market entry. Relating these issues to the previously discussed theoretical and empirical background, the following hypothesis is proposed:

H1: Export market orientation is positively related to international performance outcomes.

Global Mindset and International Performance. Managerial characteristics, including mindsets, are important antecedents to international marketing strategy and EP (Leonidou, Katsikeas, and Samiee 2002). Perceptions of export managers are a visible part of a cognitive

approach to internationalization, according to which international marketing opportunities are identified on the basis of the managerial mindset (Sadler-Smith 1999). Undoubtedly, it is necessary to bear in mind that in SMEs, and mostly in microenterprises, the owner (entrepreneur) is also the general manager responsible for all important business areas, including exports. Therefore, the managerial mindset becomes an inevitable element of the internationalization process of small, medium-sized, and microenterprises. In their recent study, Chandra, Styles, and Wilkinson (2009) found that knowledge-based SMEs, which enter international markets for the first time, mostly rely on “opportunity discovery,” rather than on a “systematic search for opportunities.” Moreover, this phenomenon can be attributed to the cognitive capability of export managers, which determines the way the manager perceives international market opportunities. In such cases, a global mindset can be considered as a latent and cognitive driver of SME internationalization.

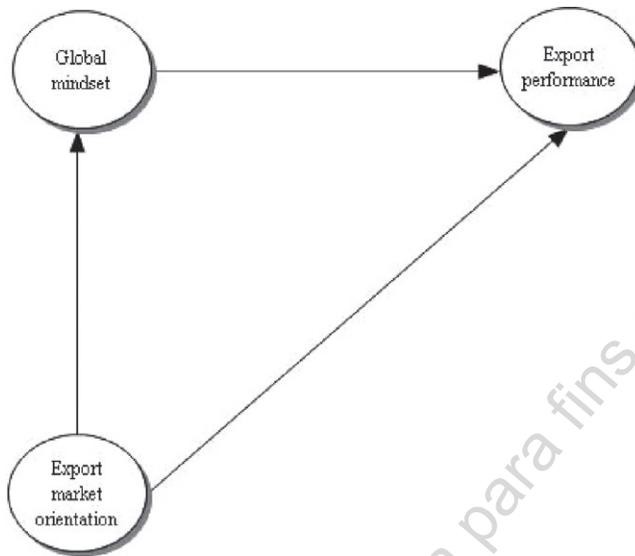
Contemporary theory recognizes two theoretical traditions of the global mindset concept—cultural and strategic. The cultural perspective is built around cosmopolitanism ideology (Merton 1957; Vertovec and Cohen 2002), and the strategic one is based on cognitive complexity (Levy et al. 2007). The goal of the strategic approach is to overcome the gap between domestic and foreign business environments, through innovative management of international market opportunities (Prahalad and Doz 1987). Nummela, Saarenketo, and Puumalainen (2004) found empirical evidence of a positive and direct relationship between a global mindset and objective EP indicators, but not with subjectively perceived ones. In their research based on a sample of Taiwanese SMEs, Hsu, Chou, and Hsu (2008) found a positive and direct link between a global mindset and

perceived benefits from international Internet marketing. However, Bouquet (2005) warned of the possible negative effect of an overemphasized global mindset in an organization, which could ultimately lead to resource ineffectiveness. An effective global mindset is achieved when export processes are established with those markets which represent profitable ventures for the SME. SMEs involved in export marketing activities implement a global mindset as a form of cognitive resource, a dynamic capability, which defines the orientation and attitudes toward foreign venture opportunities. As Chetty and Campbell-Hunt (2004) suggest, the orientational component of SME internationalization is a predecessor to evaluating market-entry alternatives. Bell et al. (2003) noted the need to build the SME internationalization process around an appropriate managerial orientation. Therefore, the reviewed theoretical and empirical evidence leads to the following hypothesis:

H2: Global mindset is positively related to international performance outcomes.

The Mediating Role of Global Mindset in the EMO–International Performance Link. As the platform for a strategic perspective of global mindset, cognitive complexity directly enhances managerial capabilities in processing the market intelligence. The processing of export information and intelligence is conducted with the aim of coping with the complexity and dynamics of foreign business environment (Barr, Stimpert, and Huff 1992; Tichy et al. 1992). In such cases, global mindset, as a cognitive mechanism, enables export managers to seek and target markets that best fit their company’s strategic objectives. Barkema and Vermeulen (1998) argue that cognitive complexity has a significant influence on the ability to process information crucial for shaping strategic

Figure 1
Conceptual Model



managerial decisions. Cognitive structures encourage export managers to process and model information about foreign target markets. Souchon and Diamantopoulos (1997) argued that merely gathering export intelligence is an ineffectual process, unless the export manager uses the information meaningfully. Therefore, global mindset inevitably acts as a mediator in the relationship between information-based activities and international performance. A cognitive perspective of global mindset activates other forms of latent capabilities, such as information-based resources, operationalized through an EMO concept (comprised of generation, dissemination, and responsiveness to export intelligence) which have already revealed a direct and positive link to international performance outcomes in various research settings (Akyol and Akehurst 2003; Cadogan, Diamantopoulos, and Siguaw 2002; Murray et al. 2007). This is in line

with Bird and Osland's (2004) argument that a global mindset must activate effective managerial action (in this case, EMO activities). On the whole, a global mindset is an inevitable stimulus that provides the cognitive platform for understanding new international contexts, as suggested by Armario, Ruiz, and Armario (2008). Therefore, the following hypothesis is proposed:

H3: The link between an export market orientation and export performance is mediated by a global mindset.

Figure 1 represents the graphic depiction of the conceptual model.

Method **Sampling**

For the purpose of this research, a survey was conducted with the support of Croatian Chamber of Commerce. A self-administered questionnaire was

developed and items were translated into Croatian and then back-translated to English under the supervision of a native-speaking Business English professor. The sample was identified through the Central database of Croatian exporters and comprised SMEs which have clearly identified their export markets. This convenient criterion was used because SMEs, which have determined their target markets, tend to rely on their export sales as a main source of revenue. The second reason is that these SMEs pay close attention to export marketing activities (including EMO activities), in order to manage their international marketing efforts across various export markets. According to Croatian Accounting Law, SMEs are companies: (1) which do not have more than 250 employees; (2) whose yearly turnover does not exceed 260 million kunas (Croatia's national currency); and (3) whose assets do not exceed 130 million kunas.

The total sample consisted of 556 SMEs. The self-administered questionnaire was mailed just after the identification of key respondents who were listed as contact persons in the Exporters Database. In order to conform to the methodological principles of sound data collection, after the initial mailing, telephone calls were conducted (based on a random sample of 556 SMEs) in order to enhance the response rate and to persuade the export managers to take part in the survey. Overall, 146 questionnaires were returned, of which 21 were not completed. Fifty-two questionnaires did not reach the target address and were returned. A series of telephone calls was then made in order to determine the reasons why nonrespondents did not participate in the survey. Most of the answers could be classified into the following three groups: (1) unauthorized to share export intelligence of the firm; (2) lack of permission from superiors within the firm; and (3) low level of satisfaction with export support from

governmental agencies and organizations. Ultimately, the effective response rate was 24 percent (125 usable questionnaires) which represents a satisfactory rate, given that it was not followed by additional mailing.

Bearing in mind that the data collection occurred during a four-month interval (from September 2008 until early January 2009), it was necessary to identify possible nonresponse bias. The authors followed the convention of comparing the answers of early and late respondents for all questionnaire items (Armstrong and Overton 1977). Finally, the final sample was split into two groups, depending on when they were received. The early group consisted of 46 responses, whereas the late group consisted of 79 responses. The t-tests performed on the responses of these two groups yielded no statistically significant differences (at a 95 percent confidence level). Thus, it can be concluded that there is no significant nonresponse bias in the study. However, the demographic profile (industry, number of employees, and yearly sales turnover) of the nonrespondents was not significantly different from the responding firms in the sample. A demographic profile of the sample firms is given in Tables 2 and 3 and of the key respondents in Table 4.

There is an apparent dominance of industrial materials and components manufacturers in the total sample. This implies that most Croatian SME exporters are participating in international B2B markets. In this case, relationships with foreign partners are essential to enhancing their EP.

The structure of respondents in terms of functional department is presented in Table 4. The largest proportion of respondents could not define their functional department in the firm (25.6 percent). These results can be explained by the fact that most SMEs (especially microenterprises) lack a formal organizational structure and that

Table 2
Breakdown of Firms and Industries

Industry	Frequency	Percentage
Recycling	1	0.8
Paper Products	5	4.1
Information and Communication Technologies (ICT) Products	8	6.6
Industrial Materials and Components	49	37.7
Management Consulting	2	1.6
Electronics	9	7.4
Food Products	7	5.7
Construction and Engineering	8	6.6
Furniture Manufacturing	4	3.3
Hotel	1	0.8
Wholesale	14	10.7
Clothing and Footwear	8	6.6
Shipbuilding	5	4.1
Hygienic Goods	2	1.6
Publishing	2	1.6
Total	125	

Table 3
Number of Years Exporting

Years Exporting	Frequency	Percentage
From 1 to 3	7	5.7
From 3 to 5	25	18.9
From 5 to 7	17	13.9
From 7 to 9	1	4.9
More than 9	73	55.7
Total	121	

one employee is often responsible for several functional areas. Given the varied functional segregation between key respondents, it was necessary to test whether there is a manifest statistical difference between the answers provided by the respondents belonging to the various functional departments. The results imply that there was no statistically significant bias in the functional

membership of key respondents with respect to all the questionnaire items ($p > .05$). Therefore, the dispersed functional role of key respondents would not compromise the overall research results.

Measurement

For the purposes of this study, three scales from the existing literature were adapted. All constructs (global mindset, EMO, and international performance) have already been operationalized, and the aim was to adapt those which would fit well in the SME context, and have been tested in various cultural contexts. Global mindset was measured with a scale adapted from Nummela, Saarenketo, and Puumalainen (2004). The reported scale has demonstrated good reliability and validity estimates in the SME context, and was used in different national contexts (Hsu, Chou, and Hsu 2008; Nummela, Saarenketo, and Puumalainen 2004). Strategic perspective embraces a cognitive approach which

Table 4
Functional Department of Respondents

Department	Frequency	Percentage
Marketing	11	9.0
Sales	20	16.4
Integrated Sales & Purchasing	23	18.9
Export	21	17.2
Production	1	0.8
Finance & Accounting	14	11.5
Department not Specified	31	25.6
Total	121	

determines the global mindset as a latent capability, in turn driving SME internationalization. EMO was measured with a three-dimensional scale adapted from Murray et al. (2007). The reported scale comprises of generating, disseminating, and responding to export intelligence. This scale was cross-culturally verified, as it fits well with the data both in developed and developing country contexts. Ultimately, to measure international performance, the EXPERF scale developed by Zou, Taylor, and Osland (1997) was adapted. The EXPERF scale consists of financial, strategic, and satisfaction-related dimensions of EP. EXPERF has also been subjected to the cross-cultural verification, where it demonstrated excellent validity and reliability estimates. All scales were five-point Likert scales with the anchors “Strongly disagree” and “Strongly agree.” Measurement scales and their responding items can be found in the Appendix.

Analytical Procedure

Because of the small sample size and sufficiently developed theoretical background, the partial least squares (PLS) method was applied in order to measure the outer and inner model loadings (Chin and Fry 2000). The outer model specifies the relationship among latent and mani-

fest variables, whereas the inner model specifies the relationship among only the latent variables. PLS is a general technique for estimating path models involving latent constructs, which are observed indirectly by multiple indicators. The technique was developed by Wold (1981) to avoid the need for large sample sizes. In addition, a great advantage of PLS, compared to multiple regression, is that it takes the measurement error into account and performs simultaneous regression analyses. Notably, PLS modeling has been used as an analytical strategy in several SME studies (Fink, Harms, and Kraus 2008; Jose Acedo and Florin 2006; Julien and Ramangalahy 2003; Moreno and Casillas 2008). More recently, Henseler, Ringle, and Sinkowics (2009) have confirmed its growing popularity in international marketing research. The revised PLS computer program (PLSGraph 3.0) was used to systematically evaluate the properties of the outer and the inner model, as conceptually formulated in Figure 1. In order to assess the conceptual model of the EMO and global mindset influence on EP, the guidelines suggested by Marcoulides and Saunders (2006) were followed: (1) Model proposition according to the available theoretical and empirical sources; (2) Data screening; (3) Assessment of the constructs’

psychometric properties; (4) Assessment of the magnitude of relationship between variables in the model with respective standard errors of the estimates; and (5) Power of the study.

Results

Data Screening

In order to assess the suitability of the data for PLS structural modeling, univariate and multivariate outliers and univariate normality were assessed. To detect possible univariate outliers, casewise diagnostics were analyzed and the outliers were identified as those cases whose residual exceeded three standard deviations. Four cases were deleted, so that the total sample comprised 121 cases. The Mahalanobis distances indicate that no multivariate outliers were present in the data. The univariate normality was examined in terms of kurtosis and skewness. The results show that both kurtosis and skewness were within acceptable intervals (<3 for kurtosis and <10 for skewness). Therefore, the normality assumption was not violated.

Measurement Model

The measurement model consists of outer model indicator loadings on the first-order constructs of interest (global mindset and EMO as determinants, and EP as a consequence variable). The indicators should be highly correlated to each other and to the latent variable that they are intended to measure. Table 5 shows the measurement properties of all latent first-order constructs. All the indicators have loadings higher than 0.60 (all significant at $p < .001$) except the item "Global5" which had loading of 0.585 on the global mindset construct and was a possible candidate for exclusion. Therefore, the additional test of dimensionality was conducted through an exploratory factor analysis (EFA), which showed that the item "Global5" had a higher factor loading on the second factor, unlike the rest of the global mindset items. In

order to ensure a valid and reliable scale of global mindset, the "Global5" item was deleted and significant increases in composite reliability (CR) and average variance extracted (AVE) were registered. Subsequently, another EFA was conducted, which showed that global mindset is one factor construct which is grounded theoretically. After an initial purification of global mindset measurement scale, CRs for all first-order constructs were above 0.90. The CR has an advantage over the traditional Cronbach's alpha, as it offers a better estimate of the shared variance between indicators (Fornell and Larcker 1981). Giving the stable factor structure of the measured constructs, it can be concluded that the measures exhibit a high level of dimensionality and reliability (as the CRs were higher than established standards) (Nunnally and Bernstein 1994). To test for convergent validity, the AVE was analyzed for each construct, and it is evident that all constructs have an AVE above the critical cutoff value of 0.50, as suggested by Fornell and Larcker (1981), and their respective CRs are greater than 0.70 as suggested by Bagozzi and Yi (1988). The results confirm convergent validity in this research case, following both conventions, in which all indicators measure the latent construct they are supposed to measure. To test for discriminant validity, the procedure suggested by Fornell and Larcker (1981) was performed. Discriminant validity is present if the squared correlation between two constructs does not exceed their respective AVE (the highest squared correlation was 0.59 in the case of financial and strategic EP, which does not exceed their respective AVE). Alternatively, Gaski and Nevin (1985) suggest a test in which discriminant validity exists if the correlation among the constructs does not exceed their estimated reliability (reliabilities ranged from 0.87 to 0.93, respectively). In both cases, there is discriminant valid-

Table 5
Measurement Properties of First-Order Constructs

Measurement Scales	Loadings	CR	AVE
Global Mindset		0.91	0.60
Global1	0.88		
Global2	0.85		
Global3	0.89		
Global4	0.84		
Global5 (Deleted)	0.58		
Global6	0.68		
Global7	0.62		
Export Intelligence Generation		0.93	0.76
Orient1	0.85		
Orient2	0.89		
Orient3	0.91		
Orient4	0.84		
Export Intelligence Dissemination		0.90	0.70
Orient5	0.63		
Orient6	0.90		
Orient7	0.92		
Orient8	0.85		
Export Intelligence Dissemination		0.92	0.79
Orient9	0.84		
Orient10	0.90		
Orient11	0.91		
Financial Export Performance		0.87	0.69
ExPerf1	0.76		
ExPerf2	0.85		
ExPerf3	0.87		
Strategic Export Performance		0.88	0.70
ExPerf4	0.85		
ExPerf5	0.90		
ExPerf6	0.76		
Satisfaction with Export Venture		0.93	0.81
ExPerf7	0.87		
ExPerf8	0.92		
ExPerf9	0.91		

CR, composite reliability.

AVE, average variance extracted by construct.

ity. In Table 6, the correlation matrix between constructs is provided as their estimated AVE. Accordingly, the operationalized first-order constructs do yield dimensionality, reliability, and validity.

Structural Model

All PLS structural models are concerned with two basic issues: (1) the amount of variance explained in endogenous variable from the predictor

Table 6
Intercorrelation Matrix of First-Order Constructs

	Mean	S.D.	1	2	3	4	5	6	7
GlobMindset	3.99	0.88	0.60						
ExpIntGen	3.77	0.96	0.286	0.76					
ExpIntDiss	3.71	0.93	0.490	0.328	0.70				
ExpIntResp	3.85	1.00	0.518	0.518	0.343	0.79			
FinExPerf	4.00	0.90	0.577	0.623	0.296	0.446	0.69		
StratExPerf	3.98	0.91	0.610	0.554	0.300	0.330	0.769	0.70	
SatExpVent	3.65	0.92	0.446	0.478	0.259	0.377	0.684	0.587	0.81

S.D., standard deviation.

AVE values are on the diagonal of the matrix.

variables, and (2) the extent to which the predictor variables contribute to the explained variance of endogenous variable. In order to analyze these issues, in PLS, two basic indicators must be considered: β (regression coefficient) and R^2 (explained variance in the endogenous variable). R^2 is the measure of predictive power, as in the regression analysis, and in order to be satisfactory, its estimated value must equal or exceed 0.1. These indicator estimates are substitutes for the fit indices offered by covariance-based methods (LISREL and AMOS).

In order to estimate the structural relationships, the bootstrapping method was employed (500 resamples) by generating standard errors and *t*-statistics. After assessing the measurement model, the guidelines for constructing the higher-order structural model (where the EMO and EP were second-order factors) were employed (Wetzels, Odekerken-Schroder, and van Oppen 2009): (1) the first-order constructs (dimensions of EMO and EP) were related to their respective manifest variables (indicators), and (2) the second-order constructs (EMO and EP) were related to their respective first-order constructs. Table 7 indicates that the critical bootstrap ratios

for the loadings of first-order factors on second-order factors were all greater than 7.5 ($p < .001$).

As for the structural model assessment, the critical bootstrap ratio in the EMO–EP link ($\beta = 0.593$) was 6.42 ($p < .001$), followed by the R^2 of 0.351 which leads to an acceptance of H1, that EMO directly influences the EP in the Croatian SME exporter context and can be considered as the driver of SME internationalization.

The critical bootstrap ratio (*t*-value) for the global mindset–EP link ($\beta = .607$) was 5.59 ($p < .001$) with an explained variance (R^2) of 0.368 in EP. These results support the acceptance of H2, that global mindset directly influences the EP in the Croatian SME exporter setting. The summary and statistical indicators of the hypotheses testing can be found in Table 8.

Next, in order to determine the mediating role of global mindset on the EMO–EP link, path coefficients were examined in the model, both with and without a mediation effect. After the inclusion of global mindset as a mediator, the decrease in the path coefficient in the EMO–EP link was recorded ($\Delta\beta = -0.186$) so that the explained vari-

Table 7
Measurement Properties of the Second-order Constructs

Second Order Factors	Loadings	t-value	p	CR	AVE
Export Market Orientation				0.89	0.43
Export Intelligence Generation	0.86	31.95	<0.000		
Export Intelligence Dissemination	0.63	7.57	<0.000		
Export Intelligence Responsiveness	0.78	15.95	<0.000		
Export Performance				0.92	0.58
Financial Export Performance	0.87	67.10	<0.000		
Strategic Export Performance	0.92	46.75	<0.000		
Satisfaction with Export Venture	0.91	34.03	<0.000		

CR, composite reliability.

AVE, average variance extracted by construct.

Table 8
Results of the PLS Structural Model with the Respective Indicators

Hypothesized Link	β	t-value	R ²	Hypothesis Status
GM → EXPERF	0.607	5.59	0.368	H1 accepted
EMO → EXPERF	0.593	6.42	0.351	H2 accepted

β , structural path coefficient.

R², explained variance in endogenous construct.

ance in the endogenous construct rose to 0.512. These changes imply that a partial mediating effect occurred. Instead of applying traditional multistep regression-based methods in the analysis of mediated relationships (Baron and Kenny 1986), PLS allows for a simultaneous assessment of direct and indirect effects, where the significance of indirect effects (mediated relationship) is determined by calculating a z-value based on the product of the estimated path coefficients ($a \times b$), and the estimated standard errors are obtained by the bootstrapping method. Tests of significance were calculated using Preacher and Leonardelli's

(2001) interactive online calculation tool for mediation tests. In this case, tests of the indirect effect revealed a partial mediation of EMO through global mindset to EP (z-value of 3.98 at $p < .001$) which ultimately leads to the acceptance of the H3.

Recently, researchers have called for the calculation of the global goodness-of-fit index (GoF), in order to validate the PLS structural model (Tenenhaus et al. 2005). GoF is calculated as a geometric mean of communality (AVE in this case) and average R² for the endogenous construct in the model (EP). Wetzels, Odekerken-Schroder, and van Oppen

(2009) propose criteria for GoF, with respect to small (0.02), medium (0.15), or large (0.36) size effects. Correspondingly, GoF critical values are 0.1 for small, 0.25 for medium, and 0.36 for large effect sizes. In the present case, the effect size in mediated model was moderate (0.329). The average AVE and R^2 (of the endogenous constructs) were 0.536 and 0.512 (in a partially mediated model), respectively. The finally estimated GoF was 0.524, which significantly exceeds the GoF critical value of 0.36 for a large effect size. This result leads to the conclusion that the structural model is valid and performs well.

Marcoulides and Saunders (2006) have recommended that the power of PLS models should be assessed. Accordingly, the GPower package v3.1 was used to calculate the power of the study. The results indicated that the power for all the parameters in our conceptual model exceeds 0.99.

Discussion

The results of this study demonstrate EMO's direct and significant influence on EP ($\beta = 0.593$, bootstrap $t = 6.42$). These results confirm previous research efforts in the area. Knowledge of the foreign market leverages the advantage created by a better understanding of foreign customer needs, competition, and the general business environment. Notably, with respect to the arguments of Foley and Fahy (2009), EMO should be considered as a crucial capability of the exporting SME.

Global mindset proves to be an important cognitive capability in the SME internationalization process. The results of the analysis reveal that the influence of global mindset on EP is evidently the same as in prior research (Hsu, Chou, and Hsu 2008; Nummela, Saarenketo, and Puumalainen 2004). The impact of global mindset is positive, direct, and significant ($\beta = 0.616$, bootstrap $t = 5.59$) with 37.9 percent of explained variance

in the endogenous construct of EP. Furthermore, 37.9 percent of explained variance indicates that the global mindset is an important driver of SME EP, but not the only one. Such results clearly lead to the acceptance of the H2. In practical terms, this result demonstrates that the strategic aspect of global mindset, based on a cognitive approach, can act as a standalone construct, regardless of its cultural dimension. The cognitive approach boosts international involvement efforts, as it determines which markets are strategically important for the exporting SME, in terms of higher EP indicators. Moreover, these results indicate the value of viewing global mindset as a cognitive capability in the exporting SMEs.

However, the study results explicitly demonstrate the importance of cognitive and information-based capabilities for SME internationalization, through the validation of a mediated structural model. Besides tangible resources (financial and human), which are nevertheless scarce in the SME context, latent resources such as cognitive complexity (manifested through global mindset) and information (manifested through EMO activities) are also important drivers of the SME internationalization process. Although the total explained variance in the EP was relatively high (51.2 percent), it must be noted that other dynamic capabilities of the firm may also be antecedents of a higher EP for the SME.

Theoretical Implications

This study emphasizes that SMEs, which lack tangible resources, have distinct path to internationalization through employing latent capabilities. Accordingly, this study adds value to the following theoretical domains:

- (1) SME internationalization—Current theories require revision in order to develop a framework that can comprehensively explain the nature

of SME internationalization. The research results suggest that cognitive and information-based capabilities are a clear prerequisite for a successful SME internationalization process. Nevertheless, the results confirm that SMEs are dependent both on cognitive and information-based capabilities, which belong to two different theoretical traditions. Moreover in this context, the various theoretical influences on SME internationalization have been validated. The role of the global mindset, and its cognitive complexity, is to give meaning to information gathered through EMO activities, as stressed by Souchon and Diamantopoulos (1997). The validation of the mediated model explicitly suggests that it is important to assess EMO activities through the mindset of export managers, in order to provide a platform for successful decision-making in foreign markets. Future theoretical considerations should take into account various intangible SME assets and capabilities, as a prerequisite platform for international SME involvement. Managerial mindset and information-based activities have proven to be crucial competencies and should not be neglected in the future development of an integrative framework of SME internationalization.

- (2) EMO—Recent research in various national contexts has demonstrated a direct, positive, and significant link between EMO and EP (Akyol and Akehurst 2003; Cadogan, Diamantopoulos, and Siguaw 2002; Murray et al. 2007; Rose and Shoham 2002), which the results of this present study have also supported. This study contributes to the field of EMO application in the SME export context, which has not been considered in earlier research

on the EMO concept. Although Frishammar and Andersson (2009) reported an insignificant relationship between MO and the international performance of SMEs, the results of this study confirm that an appropriate conceptualization of the EMO construct is essential. EMO is highly operational and pragmatic, when conceptualized according to the theoretical traditions of the behavioral approach and in the right context (export, in this case). A cultural approach cannot guarantee success in a foreign market, because of the complex and dynamic foreign environment and specific information relating to it. Knowledge about foreign markets is the only means by which SMEs can overcome the gap between the domestic and foreign business environment. However, such theoretical notions do not diminish the contribution of the cultural aspect of MO for SMEs. Rather, it is a platform which enables SMEs to orient themselves toward customers and their needs, and is dependent on the behavioral assumption underlying MO. Whereas previous empirical and theoretical considerations have assumed MO to constitute the viable implementation of the marketing concept inside the firm, this study contributes to the field suggesting that EMO activities are crucial capabilities in the SMEs, as the mainstream internationalization theory suggests.

Managerial Implications

Global mindset, as a managerial tendency toward a global orientation, significantly improves the international competitiveness of SMEs. On the other hand, as a cognitive capability, global mindset enables SMEs to search for market opportunities on a global basis, thus constituting a vital driver for inter-

nationalization. The cognitive dimension of the global mindset enables export managers to identify, learn about, and seize international market opportunities. According to the results of this study, there is an interrelation with EMO activities, which are concerned with acquisition, dissemination, and response with respect to export intelligence. However, most of the export information that SMEs process originates from secondary sources which is freely attainable due to ICT development. However, attitudes that result from the managerial mindset shape export managers' stance toward international market opportunities. An effective global mindset is achieved when export processes are established with those markets that represent profitable ventures for the SME and are the result of discovered opportunities rather than systematic international market planning.

Limitations and Suggestions for Further Research

Future research should focus on the development of more robust models. The impact of global mindset on international performance outcomes has been the subject of only a few studies (Bouquet 2005; Hsu, Chou, and Hsu 2008; Nummela, Saarenketo, and Puumalainen 2004) and thus requires the fresh introduction of a new potential influence variables in an established empirical link between global mindset and international performance. The global mindset concept is subsumed by an international entrepreneurial orientation (IEO). IEO entails the strength of will to expand a business internationally, and represents an important international entrepreneurial competency. Similarly, other international competencies should be included as proposed by Armario, Ruiz, and Armario (2008) and as more recently confirmed by Knight and Kim (2009).

However, regarding the lack of resources for international expansion, SMEs are also dependent on institutional factors (e.g., export promotion programs) (EPPs). Therefore, future research should aim at discovering how institutional factors relate to EP outcomes. As observed, institutional factors such as EPPs could play an important role in SME international engagement, in the sense that SMEs could commit more tangible resources to internationalizing successfully. In order to reveal the influence of international competencies on performance outcomes in greater detail, the application of a qualitative research design would contribute to theoretical enrichment, as these research strategies are applied more and more by international business scholars in the SME context (Nummela and Welch 2006). Accordingly, an in-depth research design could be useful for exploring and discovering new potential competencies (capabilities) that accelerate SME internationalization. As exports constitute an entry strategy which facilitates dependence on the relationship with foreign partners (e.g., import trading companies, distributors, and business customers), it would be of considerable benefit for international marketing academia to see how a global mindset reflects when analyzing export-import relationships. A possible development of global mindset could be witnessed through taking into account the social ties that result from relationships with foreign partners. Earlier research has contributed to explaining the link between international networking and knowledge acquisition (Gilmore, Carson, and Rocks 2006). Therefore, relationship appraisalment enhances the accumulation of international market intelligence. International business relationships stress the relevance of SME's internationalization path through networking. On the other hand, the development of a viable SME internationalization framework requires the

revision and utilization of concepts from various theoretical traditions, which is at the core idea of this paper.

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Appendix

Global mindset

Global1	It is important for our company to internationalize rapidly
Global2	Internationalization is the only way to achieve our growth objectives
Global3	We will have to internationalize in order to be successful in the future
Global4	The growth we are aiming at can be achieved mainly through internationalization
Global5	The founder/owner/manager of the company is willing to take the company to the international markets (D)
Global6	The company's management uses a lot of time in planning international operations
Global7	The company's management sees the whole world as one big marketplace

Source: Adapted from Nummela, Saarenketo, and Puumalainen (2004).

(D)—dropped in the purification stage.

Export intelligence generation

Exorient 1	We periodically review the likely effect of changes in our export environment (e.g., technology and regulation).
Exorient 2	In this company, we generate a lot of information on trends (e.g., regulation, technological developments, politics, and economy) in our export markets.
Exorient 3	We generate a lot of information in order to understand the forces which influence our overseas customers' needs and preferences.
Exorient 4	We constantly monitor our level of commitment and orientation to serving export customer needs.

Export intelligence dissemination

Exorient 5	Information about our export competitors' activities often reaches relevant personnel too late to be of any use. (R)
Exorient 6	Important information on export market trends (regulatory, technology, etc.) is often discarded before it reaches export decision-makers. (R)
Exorient 7	Too much information on our export competitors is discarded before it reaches export decision-makers. (R)
Exorient 8	Information which can influence the way we serve our export customers takes too long to reach our export personnel. (R)

Responsiveness to export intelligence

Exorient 9	If a major competitor were to launch an intensive campaign targeted at our foreign customers, we would respond immediately.
Exorient 10	We are quick to respond to significant changes in our competitors' price structures in foreign markets.
Exorient 11	We respond rapidly to competitive actions that threaten our activities in export markets.

Source: Adapted from Murray et al. (2007).

(R)—reversely coded.

Financial export performance

Experf1	This export venture was very profitable
Experf2	This export venture has generated a high volume of sales
Experf3	This export venture achieved rapid growth

Strategic export performance

Experf4	This export venture has improved our export competitiveness
Experf5	This export venture has strengthened our strategic position in the market
Experf6	This export venture has significantly increased our market share

Satisfaction with export venture

Experf7	The performance of this export venture has been very satisfactory
Experf8	This export venture has been very successful
Experf9	This export venture has met our expectations in all respects.

Source: Adapted from Zou, Taylor, and Osland (1997).

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