Entrepreneurial orientation, global mindset and internationalization of Chinese SMEs

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Abstract: This paper examines the role of entrepreneurial orientation, global mindset on two international activities: networking and know-how, and subsequently on the firms’ degree of internationalization. A conceptual model was developed and tested with a sample of 208 small and medium size firms from China. The results indicate both entrepreneurial orientation and global mindset have positive effects on international networking and know-how activities, though they do not have a direct effect on the degree of internationalization. The effects were indirectly mediated by the firm’s international know-how activities but not networking activities. The findings shed light on the factors influencing Chinese SMEs’ internationalization process.

**Keywords**: Internationalization; entrepreneurial orientation; global mindset; international activity; Chinese SMEs

# Introduction

The rapid development of China’s small and medium-sized enterprises (SMEs) is one of the major drivers of the impressive growth of the country’s economy in recen decades. In China, SMEs provide 60 per cent of GDP, 75 per cent of industiral value-added output and more than 50 per cent of urban employment ([Zhang and Xia 2014](#_ENREF_77)). SMEs are also a significant international force as they contribute to 68 per cent of the country’s export ([Hall 2007](#_ENREF_26)), as entrepreneurial firms are a key driving force behind China’s rapdi eocnomic transformation ([Yang and Li 2008](#_ENREF_74)). Yet most studies on Chinese firm’s internationalization have primarily concentrated on large-scale state-owned enterprieses (SOEs) ([Cardoza and Fornes 2011](#_ENREF_9), [Wang and Ngoasong 2012](#_ENREF_66)), with insufficient research evaluating the global exapansion and entrepreneurial oreientation of Chinese SMEs ([Tang and Hull 2012](#_ENREF_64)).

Recently there has been a growing recognition of the significance of Chinese SMEs’ entrepreneurial orientation and international activities ([Tang 2011](#_ENREF_63), [Zhang, Ma, and Wang 2012](#_ENREF_78), [Zhang et al. 2016](#_ENREF_79)). This echoes the overall developent of SME interantionalization research that remains one of the most improtant areas for in the field of entrepreneurship due to SMEs’ major contribution to global economic growth and change ([Ruzzier, Hisrich, and Antoncic 2006](#_ENREF_57)). By investigating the importance of entrepreneurial orientation and social capital, studies have also investigated the degree of external social network relationship in supporting SMEs’ global expansion ([Tang 2011](#_ENREF_63), [Zhang et al. 2012](#_ENREF_78)). The globalization of specialized wholesale market and its impact on facilitatting the interantionalization of labour-intensive SMEs has been documented ([Wang and Ngoasong 2012](#_ENREF_66)). In addition, attention has been paid to identify the associations between different firm ownerships, export tendency, intenrational entreprreneurship and SME interantionalization ([Alon et al. 2013](#_ENREF_1), [Cardoza and Fornes 2011](#_ENREF_9)).

Despite the valuable insights offered from these scant studies, little is known about how SMEs’ entrepreneurial orientation and owners/managers’ personal global mindset jointly influence the internationalization of Chinese SMEs. Ovearll this gap suffers from three major issues. First, the lack of in-depth, academic examintion of this important issue is incompatible with the vibrant reality that more and more Chinese SMEs are internationally directed and entrepreneurially active. Entrepreneurial orientation is a firm’s strategic decision-making process that can lead to innovative decisions and actions on new market entry ([Lumpkin and Dess 1996](#_ENREF_43)), invovling innovativenss, risk taking and proactiveness that help firms to discover and exploirt business opportutnities ([Etemad 2015](#_ENREF_13), [Martin and Javalgi 2016](#_ENREF_44)). Global mindset refers to individuals’ competence and mentality on intenrational option that can handle the cognitive compelxity combined with a certain holistic veiw of the world, characterized by opeeness and collabraotion with multiple cultures and realities ([Levy et al. 2007](#_ENREF_40)). While entrepreneurs’ global mindset in Western SMEs has been found closely associtaed with firms’ international orientation, financial results and business growth in global market ([Felício, Caldeirinha, and Ribeiro-Navarrete 2015](#_ENREF_16)), limited attention has been devoted to demonstrate the dynamical interlinks between entrepreneurial orientation, global mindset and the internationalization of Chinese SMEs.

Second, the gap is more noticeable when comparing with the Chinese government’s viguous advocacy towards entrepreneurship in light of a strong expansion of the private sector ([Su, Zhai, and Landström 2015](#_ENREF_61)). In contrast to this negleted attention to the ownership effect on Chinese SMEs’ international behaivours, many studies have focused on larger state owned enterprises (SOEs) ([Zhang et al. 2016](#_ENREF_79)). Third, the extant deficiency in scholarly input in this area lags behind the abundant contributions towards SMEs’ internationalizatoin and entrepreneurship research in Europe and USA ([Ribau, Moreira, and Raposo 2016](#_ENREF_54)). In the field of international business studies, entrepreneurial orientation, internationalization of SMEs and global mindset have been given a lot of attentions in recent years. But it remains less clear how the internationalizaiton of Chinese SMEs is associated with the global mindset of entrepreneurs, and how this is influenced by individual entrepreneurs’ management knowledge and social networking activities.

This study aims to address the research void and contribute to the knowledge in this important field of understanding Chinese SMEs’ international expansion and entrepreneurial behaviour. It also responds to the high demand of researching SME internationalization due to the fragmented knowledge about it ([Ribau et al. 2016](#_ENREF_54)). Grounded in the resourced-based thoery ([Barney 2001](#_ENREF_4)), the study develops several hypotheses on entrepreneurial orientation, global mindet and internationalization of Chinese SMEs that may respond to the competitive international environment very differently comparied with their Western counterparts ([Tang and Hull 2012](#_ENREF_64)). Following the call for furthering the conceptural framework of entrepreneurship ([Shane and Venkataraman 2000](#_ENREF_58)), this study has two main objectives, the first of which is to idnetify the effect of entrepreneurial orientation and global mindset on the degree of internationalization of Chinese SMEs. The second objective is to evaluate the mediating role of Chinese SMEs’ internationalization activities, including international networking and know-how activities, on the relationships between entrepreneurial orientation, global mindset and internationalization of Chinese SMEs.

The present study on Chinese SMEs extends the resource-based entreprenuership paradigm, which states that individuals’ entrepreneurial singits into the value of resoruces can generate market opertunities ([Alvarez and Busenitz 2001](#_ENREF_2), [Lumpkin and Dess 1996](#_ENREF_43)). It advances our understanding of Chinese SMEs’ entrepreneurial process by: (i) conceptualizing the the role of entrepreneurship in Chinese SMEs during their internationalization process; (ii) offering empirical underpins over SME leaders’ global mindset and its functions in identifying market opportunities and providing innovative opportunities in the global marketplace; and (iii) theorizing the mediating effect of entrepreneurs’ know-how and networking activities on Chinese SMEs’ international process.

The remaining of the paper is structured into five parts. First it will review the existing literature on SMEs’ international behaviours that are related to entrepreneurship and global mindset, especially those of Chinese SMEs. Second, it will discuss hypotheses of the study developed from the theoretical background. Then the paper will introduce research methods, before the next part discusses results and findings. The last part will summarize the overall conclusion, the implication and contirbution of the research, as well as the future direction of the study.

# SME internationalization and entrepreneurship

## Resource-based view

As a major approach to business strategy and international entreprenuership, the resource-based view has been used extensively to examine firms’ behavours in both domestic and gobal markets. According to this perspective, firms’ resources and capabilities, including management skills, organizaitonal processes and routines, and information and knowledge, are the basis for sustained value-creating competitive advantage ([Barney 2001](#_ENREF_4)). This approach is grounded on an assumption that firms’ competitive advantage can be derived from the intangible koneldge-based resources that are unique costley-to-copy attributes ([Ruzzier et al. 2006](#_ENREF_57)). It is adapted to analyze entreprenuership ([Kellermanns et al. 2016](#_ENREF_31)), which includes cognition, discovery, pursuing market opportunities, and coordinating knoweldge that can lead to various outcomes ([Alvarez and Busenitz 2001](#_ENREF_2)).

The resource-based view also helps to examine SMEs’ international entrepreneurship because these firms need to overcome the difficulty of inadequate finance and human resources when they go to the global market. In the pursuit of growth in an international environment, SMEs may encounter unique challenges such as using limited resources available to deal with an increasingly competitive overseas environment, newness or foreignness in an unfamiliar and competitive international market, and signficant intern-market differences that do not match SMEs’ existing operation strategies ([Lu and Beamish 2001](#_ENREF_42), [Ruzzier, Antoncic, and Hisrich 2007](#_ENREF_56)). Such situation is in conjunction with the globalization impact, and is more so for domestic and new SMEs than those of already highly internationalized sector ([Ruzzier et al. 2007](#_ENREF_56)). The degree of entrepreneurs’s expertise and cognitive provesses can also strongly influence SMEs’ international expansion as they can better identify and evlauate global opportunities on provudcts and services ([Wright, Westhead, and Ucbasaran 2007](#_ENREF_72)). A further development of the resource-based view is the multi-dimentional model, which integrates the stage theory, resource-based view and network theory, and provides new conceptualization of firms’ internationalization by examining firms’ operation, product and performance dimensions ([Ruzzier et al. 2007](#_ENREF_56)). Because each enterprise has unique and potentially valuable resources, or can create heterogeneous firm resoruces, the competitive advantage can be generated if the appropriate resources are imitated ([Alvarez and Busenitz 2001](#_ENREF_2)). In this respect, the process of entrepreneurial activity includes the incorporation of learning and konwledge through discovering information of the market and coordinating disparate tacit knowelge ([Alvarez and Busenitz 2001](#_ENREF_2)).

The extensive acknowledgement of resource-based view is not without controversy. [Priem and Butler (2001)](#_ENREF_51), for example, highlight that this perspective overemphasizes the function of resource configurations that contribute to firms’ competitive advantage. Elsewhere, the approach is said to be limited by its narrow conceptualization of firms’ resource and value based on neoclassical economic rationality, which constrains the possibilities of making progresses ([Kraaijenbrink, Spender, and Groen 2010](#_ENREF_35)). In contrast, the paradoxical critique has been dismissed by Barney ([2001](#_ENREF_4)), who insists that resource heterogeneity and resoruce immobility perpective is still powerful in explaining management strategies. The resource-based approach is further defended by [Lado et al. (2006)](#_ENREF_37) who view the resource-based paradoxes as rather instrumental for an enhanced understanding of firms changing strategies. Nevertheless, these debates reflect an interesting yet challenging issue for the resource-based view in conceptualizing management decision-making and business strategies, which require a multifaceted approach to more dynamically depict firms’ competitive advantage. Recognizing this dynamic, it is necessary to extend the use of resource-based view in discussing SME entrepreneurship, because the current focus is predominantly on larger, more established firms ([Kellermanns et al. 2016](#_ENREF_31)).

## SME entrepreneurial orientation

Small and medium-sized enterprises are critical players of global trade and economy, as their performance is highly relevant to the impact of entrepreneurial orientation and internationalization strategy ([Knight 2000](#_ENREF_33)). SMEs are a major driving force of eocnomy as they have a pervasive influence acorss the business world, and in-peth analysis of SME internatioanlization is needed to explore the under-researched topics ([Ribau et al. 2016](#_ENREF_54)). For SMEs, entrepreneurial orientation is linked with the degree of leadership quality on innovativeness and proative attitudes toward the external environment ([Knight 2000](#_ENREF_33)). It is SMEs’ essntial dyanmic captiablity to adapt scanning and planning processes prepared for the chaning international context ([Swoboda and Olejnik 2016](#_ENREF_62)). However, it is also key to understand that entrepreneurs are heterogeneous because they have indivdual-spefice repsources that can facilitate recognizing new opportunititesa dn deploying resources for the veture ([Alvarez and Busenitz 2001](#_ENREF_2)). It is suggested that SMEs are deeply influenced by globalization that provides more business opportunities, but they do not have sufficient resources to compete with larger firms in the global market ([Knight 2000](#_ENREF_33)).

On the other hand, due to the uncertainties brought by globalization, SMEs with an entrepreneurial orientation can generate more opportunities to compete with other firms ([Knight 2000](#_ENREF_33)). But some elements of entrepreneurial orientation, such as international marketing channel management, do not have a positive impact on product innovation novelty ([Boso, Oghazi, and Hultman 2017](#_ENREF_7)), and there is a measurement issue to safeguard the precise study of the phenomenon itself ([Randerson 2016](#_ENREF_52)). As the engine that drives the development of capitalism, entreprenuerial orientation is widely perceived as a means of creating momentum of gorwoth in many econmies ([Zahra and Garvis 2000a](#_ENREF_75)) with consistent conceptualization of three deminsions: innovativeness, risk taking and proactiveness ([Martin and Javalgi 2016](#_ENREF_44)). In a foreign market where there are different consumer needs and competitor offerings, and economic and technological conditions, SMEs can have more chance to success if they re highly responsive under globalization ([Knight 2000](#_ENREF_33)). Thus entrepreneurial orientation is important for SMEs to operate in global markets, as it can help these firms to overcome some of the liabilities of foreingness derived from their limited legitimacy, and to develop innovation capabilities with limited resources ([Brouthers, Nakos, and Dimitratos 2015](#_ENREF_8)).

In many aspects resource-based view is instrumental for explaining why SMEs can succeed without being deferred by the weaknesses indicated by the conventional stage model ([Peng 2001](#_ENREF_50)). Resources refer to stocks of available tangible or intagnle factors that are owned or controlled by the firm and converted into products or services; however, it is not always easy to identify SME resources because of the diversification of these firms and their operating environment ([Ruzzier et al. 2006](#_ENREF_57)). Nervertheless, as stated by [Rangone (1999)](#_ENREF_53), entrepreneurship is a special resource for SMEs, which need to have three important basic capatibilities on innovation, production and market management in order to develop sustained competitive advantage. The approach depicts that due to the intensive competition of the global market, SMEs are increasingly facing similar problems as those larger firms in developing international activities and making decisions on internationalization ([Ruzzier et al. 2006](#_ENREF_57)). Smaller firms, like larger ones, have the neccessity to aquire key resources to develop a sustainable competitive advantage, although generally there is a gap between integrate creativity and entrepreneurial activities ([Barney 2001](#_ENREF_4)).

## Global mindset for SME entrepreneurs

The success of SMEs’ international entrepreneurship is associated with indivdiual entrepreneurs’ global mindset, which can enable them to use relevant knowledge and experience to identify international venturing opportunities. Global mindset is defined by [Gupta and Govindarajan (2002, 117)](#_ENREF_24) as ‘one that combines an openness to and awreness of diversity across cultures and markets with a propensity and ability to synthesize acorss this diviersity’. Elsewhere, the term is said to be an individual-level konweldge structure that can capture and represent a unique multidimensional cognition ([Levy et al. 2007](#_ENREF_40)), and a set of indivdual attributes that enable people to influence others ghrough undertanding different social, cultrual and institutional environments ([Begley and Boyd 2003](#_ENREF_6)). Its cenral value is helps to catch an insight intio the local market needs and build cognitive bridges between these needs and the firms own global experiences and capabilities ([Gupta and Govindarajan 2002](#_ENREF_24)).

With the continuous intensification of international competition, global mindset has become a central dirve for long-term global competitive advantage (Levey, Beechler, Taylor and Boyacigiller 2007). Thus creating a global mindset is a central requiremnt for buidling an intenllengence for firms to cuccessfully exploit emerging opportunities and tackling their accompaning chllenges ([Gupta and Govindarajan 2002](#_ENREF_24)) Global mindset is infleunced by entrepreneur’s education, the firm’s domestic performance and potential ([Felício, Caldeirinha, and Rodrigues 2012](#_ENREF_17)). It includes skills and proficiencies in relation to diversified and complex market situation in a global envrionment, as the contextulization of the complex situations and diversifed cultures is essentatial to develop a global mindset ([French and Chang 2016](#_ENREF_20)).

Global midset comprises the atributes that can enable indivduals to influence other people or organisations from ddifferent social, cultural and instituitonal systems ([Begley and Boyd 2003](#_ENREF_6)). Three core properties are identified as cognitive, existentialist and behaviour, as global mindset is a multidimentional construct that contains two primary dimensions – culture and strategic ([Levy et al. 2007](#_ENREF_40)), and concerns with global aspiration, capability-seeking, and risk tolerance ([Gaffney et al. 2014](#_ENREF_21)). However there has been a conceptual ambiguity about global mindset, focusing on issues such as cultural perspective, strategic perpective, and multidimentional perspective, at both indivdual and organizational levels ([Levy et al. 2007](#_ENREF_40)). Nevertheless, the notion of global mindset is focused on individuals’ proactivenss on anticipating future problems, needs and changes of intenrational markets and managers’ commitemnt, experience and learning, as wellas psychological and demographical information ([Nummela, Saarenketo, and Puumalainen 2004](#_ENREF_46)). This cognitive dimension of attention can help managers to better deal with the complex organizational environments, strucutal indeterminacy and cultural diversity ([Levy et al. 2007](#_ENREF_40)).

That said, global minset can often be offset by domestic business development and entrepreneurs’ education levels ([Felício et al. 2012](#_ENREF_17)), especially for the until-now ‘domestic-only’ firms ([Paul 2000](#_ENREF_49)). The extent of firms or individuals can cultivate a global mindset depends on the curiosity about and commitment to foreign markets, comprehension of existing mindset, diversity orientation, and ready to learn ([Gupta and Govindarajan 2002](#_ENREF_24)). This is particularly evident for SMEs as their key managers’ perceptions about the exsiting, domestic market will have a significant impact on the firms’ developing strategies in an international environment ([Weaver et al. 2002](#_ENREF_68)). Employing experienced, global-minded managers can quickly mend this problem, but SMEs need to redouble their efforts and make it a top priority ([Paul 2000](#_ENREF_49)).

## Entrepreneur knowledge and networking

Resource-based view contents that indivdiuals’ knowledge, e.g. know-how activities, and social interaction, e.g. netowrking activities, are critical elements for firms developing entrepreneurial activities ([Eisenhardt and Schoonhoven 1996](#_ENREF_12)). In the field of international entrepreneurship, network-based studies mainly focus on network relationships, govance and structure, as well as the benefits in helping entrepreneurs to access information and davice at international level ([Hoang and Antoncic 2003](#_ENREF_27), [Ruzzier et al. 2006](#_ENREF_57)). Howeve, firms’ internaitonal expansion does not always come from formal search, analysis and selection, rather it is frequently based on an interaction between entrepreneurs and their social and business networks, because it is possibly more effective to find solutions in exsiting relationships ([Evers and O’Gorman 2011](#_ENREF_14)). With networks being recognized as firms’ key resources, the concept of knowledge networks have been put forward to describe how firms can collaborate and innovate trhough contact and allicance networks ([Huggins and Johnston 2010](#_ENREF_28)). Through networking with well-regarded indivduals and organizations, entrepreneurs can find resoruce-holders who are potential investors and employees to exchange beneficiary resources and discover innovative opportunities ([Hoang and Antoncic 2003](#_ENREF_27)).

It has been found that networking can result in information access and structural changes of entrepreneurial activities over time, with improved networking capabilities helping to facilitate greater venture legitmacy and benefit external relations ([Batjargal 2010](#_ENREF_5), [Hoang and Antoncic 2003](#_ENREF_27), [Parida et al. 2017](#_ENREF_48)). With networks leading to inter-firm communication and exchange, knowledge transfer can play an important role in firms’ cross-border expansion building on the Uppsala model, the network approach to internationalization believes that firms can invest in new networks, increase reseouce commitements in networks, and integrate different national networks ([Johnson and Vahlne 1990](#_ENREF_30)). According to Wu, Pangarkar, and Wu (2016), marketing know-how and technolgoy know-how are two major knowledge transfer activities at international level, with the former requiring more attention to build new relationships in a new market setting, and the latter being easier to be transferred because technological advantage can lead to better returns, even in a newly developed foreign environment. Social relationship with other individuals is a sub-network within the business network, and is key to provide the context for firms’ international activities, although it is less clear how SMEs can use resources and develop strategies ([Ruzzier et al. 2006](#_ENREF_57)). During this process, knowledge flows through social networks and becomes social capital, while the eocnomic rationality explains why firms will invest in calculative networks to get access to required information ([Huggins and Johnston 2010](#_ENREF_28)).

Research has addressed that the prospect of SME internationalization is postively related to individuals’ human capital and social capital such as management know-how ([Wright et al. 2007](#_ENREF_72)). Having diverse management know-how is likely to enhance firms’ human resourc practices and explore more promising opportunities in foreign markets ([Westhead, Wright, and Ucbasaran 2001](#_ENREF_70)), although firms’ international tendency lies on the entrepreurs’ idosyncratic prior knowledge ([Evers and O’Gorman 2011](#_ENREF_14)) It is also percieved that marketing know-how is important for firms’ internationalization, although knowledge transfer, intepretation and absorbing are not an easy process ([Simonin 1997](#_ENREF_59)). But due to resource scarcity and a tendancy of devleoping networks locally ([Huggins and Johnston 2010](#_ENREF_28)), SMEs tend to have many difficulties in building formal business relationships in the international market, so they need to be more proactive in exploiting knowelge-based internal resources ([Tang 2011](#_ENREF_63)) before they can set off to discover external opportunities.

## Chinese SMEs’ internationalization

As the world’s largest emerging economy, China has benefited from the rapid development of an internationally orieated growth in recent decades. The advancement of emerging markets, including China, has intensified the need for global mindset because it facilitates the needs for interacting with culturally diversified counterparts overseas ([Gaffney et al. 2014](#_ENREF_21)). Intgernational venturing can enchance firm perfromance by using its existing knoweldge and resources in new markets, and use innovation, risk taking and proactivenss to enahcne firm’s ability and recogition to exploite foreign market opportunities ([Zahra and Garvis 2000a](#_ENREF_75)). In recent years, the Chinese government has strived to improve business environment for inspring innovative actviteis and nurture long-term SME innovation, with a nubmer of new legislations and regulations having been deployed to recognize and capitalize the transition of SMEs ([Tang and Hull 2012](#_ENREF_64)). The degree of entrepreneurial orientation in China is influenced by the extent of institutional environment for private owndership and the perosnal attributes of would-be entrepreneurs ([Lu and Tao 2010](#_ENREF_41)). On the one hand, there is an increasingly supportive cognitive environment that fosters an entrepreneurship-related enductaion and training system, and facilitates incubators and foundations to help establish and operate new businesses ([Tang and Hull 2012](#_ENREF_64)). On the other hand, Chinese SMEs tend to behave cautiously due to the country’s opprotunistic competition derived from inadequate protection to entrepreneurial businesses ([Tang and Hull 2012](#_ENREF_64)).

To develop an internationally orientaed strategy, it is critical for SMEs to use networks that can provide important social capital ([Huggins and Johnston 2010](#_ENREF_28)), which is instrumental for oevercoming China’s institutional deficiences and sustaining international targets ([Kiss, Danis, and Cavusgil 2012](#_ENREF_32)). There have been well-documented discussions about the Chinese version of networks, guanxi, which refers to the interpersonal relationships that are linked to social exchanges, while its central element is the process of establishing, maintaining and mobilizing personal ties ([Batjargal 2010](#_ENREF_5)). From the perspective of resource-based view, Chinese entrepreneurs’ personal attributes such as education are key resources in helping SMEs to develop opportunity-driven behaviours in the international market ([Alon et al. 2013](#_ENREF_1)). Among others, social relationship established through networking activities is an extremely important resource-expansion method for Chinese SMEs to develop their global business. In the Chinese context, guanxi derives from the network approach to entrepreneurship in the venture creation and development processes, with the Chinese culture deeply integrated with the instrumental usefulness of guanxi in making resources accessble, helping to maintain the growth momentum of entreprenurial firms ([Guo and Miller 2010](#_ENREF_23)). This is based on the traditional Confucian culture, which implies the central position of the networks of interpersonal relationship ([Su et al. 2015](#_ENREF_61)). For those Chinese SMEs without sufficient resources, local guanxi may provide important social capital that is important for their international entrepreneurial strategeis, while they can also use political ties to receive more favourable government funding in innovation, reduce more risk, and to faciliate quicker convertions of international opportunities into actions ([Zhang et al. 2016](#_ENREF_79)). However, care must be take because guanxi is unique to the Chinese context, and it is not easy to generalize or expand this proposition into alternative environment.

# Development of hypotheses

## International entrepreneurship hypotheses

Explaining SMEs’ international behaivour remains an important paradox since entpreneurial orientation, which refers to tendency to innovate and provocate, is a multidimentional concept ([Zhang et al. 2012](#_ENREF_78)). Entrepreneurial orientation therefore shows a firm’s proclivity to anticipate, act and react according to external changes, as well as utilizing novel behaivours such as investing with uncertain outcomes ([Lumpkin and Dess 1996](#_ENREF_43)). SMEs with entrepreneurial orientation can leverage marketing strategies into new product markets and respond to complicated environments, as well as applying innovative strategeis through product specialization ([Knight 2000](#_ENREF_33)). To develop international business, entrepreneurs need to discover, enact, evaluate and epxloit new cross-border opportunities to create future development that is based on domestic market ([Oviatt and McDougall 2005](#_ENREF_47), [Wang, Chung, and Lim 2015](#_ENREF_67)).

Existing studies have documented that SMEs with high entrepreneurial orientation are more likely to diversify their activites, expand in an uncertain international market and improve international performance, although these effects may be constrained by limited available resources ([Brouthers et al. 2015](#_ENREF_8), [Jantunen et al. 2005](#_ENREF_29), [Knight 2000](#_ENREF_33)). International entrepreneurial activities are complex and costly, involving both new product lines and new geographic markets, and requesting entrepreneurs to thorougly investateg opportinies and build infrastruure ([Wang et al. 2015](#_ENREF_67)). During this rsiky operation process, firms need to decide a trade-off straegies on short-term financial loss and logn-term gain ([Wang et al. 2015](#_ENREF_67)). As [Fernhaber, Gilbert, and McDougall (2008)](#_ENREF_18) indicate, in comparison with larger firms, SMEs have to confront with more difficiluties to garner the reosurces needed to develop international opportunities, and they are less likely to expand internationally if the local market could satisfy their needs for resources. But overall, entrepreneurial orientation enables firms to develop key capabilities for creating competitive advantage ([Lee, Lee, and Pennings 2001](#_ENREF_39)), and better uilizing internal and external resources ([Wiklund and Shepherd 2003](#_ENREF_71)). Because there is a lack of attention to the role of international entrepreneurship in China, the world’s largest emerging eocnomy ([Naudé and Rossouw 2010](#_ENREF_45)), we propose:

H1: Chinese SME’s entrepreneurial orientation is positively related to the degree of internalization.

Related to the entreprenuerial orientation paragigm is the form of individuals’ global mindset that can offer conditions to develop cross-border networks, with strong influence on firms’ financial toucome and business growth ([Felício et al. 2012](#_ENREF_17)). Global mindset is the capacity to observe and accept diversified cultures and markets for creating opportunities ([Rogers and Blonski 2010](#_ENREF_55)) and postulating strategies and actions in intenratinal arena ([Levy et al. 2007](#_ENREF_40)). Its main content includes global prospensity and cognition, knowledge, orientation and behaviour ([Felício et al. 2015](#_ENREF_16)). Global orientation, as [Felício et al. (2012)](#_ENREF_17) state, relates to the expectation and commitment to comprehend international markets and networs, exhibited with global knowledge and aptitude that allow firms to explore global business opportunities. It is therefore suggested that individuals with a global mindset possess ‘a highliy complex congnitive structure characterized by an openness to and articulation of multiple cultural and strategic realities on both global and local levels, and the cognitive ability to mediate and integrate across this multiplicity’ ([Levy et al. 2007, 244](#_ENREF_40)).

A close contemplation of entrepreneurship research further reveals the dynamic relationships between global mindset and the internaitonalization of SMEs. Entrepreneurship and innovation are critical for developing a competitive eocnomy, as global mindset can be triggered by entrepreneurs’ strong interest in devleloping international business through openning ideas in markets abroad ([Felício et al. 2012](#_ENREF_17)). Due to the diversified, complex, and constantly chaning international market ([Tang and Hull 2012](#_ENREF_64)), global thinking is needed to help assoicate local cultures and opporuttnies with firms’ developmental targets ([Gupta and Govindarajan 2002](#_ENREF_24)). Meanwhile, global mindset is necessary but not suffiicent for becoming effective in managing globally ([Levy et al. 2007](#_ENREF_40)), as international experience does not naturally lead to developing a global mindset without individuals’ inquisitivenss and openness (Bird and Osland 2004). But overall, the inernationalization behaiovur of SMEs is one of the key determnants of entrepreneurs and their mindset ([Felício et al. 2012](#_ENREF_17)). We can therefore suggest that:

H2: Chinese SME owners/managers’ global mindset is positively related to the degree of internalization.

## Knowledge and social network hypotheses

With valuable episodic knowledge on industries or production, individual entrepreneurs can learn and assess their ability to export ([Wright et al. 2007](#_ENREF_72)). However, such know-how capacity is not universal, as some enrepreneurs may be more adept than others in finding opportunities to internationalize their products and services ([Wright et al. 2007](#_ENREF_72)). In their study, ([Cardoza and Fornes 2011](#_ENREF_9))find that one of the major barriers for Chinese SMEs to internationalize their business is the weak management skills on assistance, communication and time, and knowledge of international finance. Such know-how activity is important for firms since businesses need to continously explore new opportunities to respond to an increasingly uncertain and changing market situation ([Martin and Javalgi 2016](#_ENREF_44)). Yet the degree of overseas’ market hostility can also moderete the success of international entrepreneurship ([Zahra and Garvis 2000a](#_ENREF_75)), while there is a bidirectional mediating relationship between SMEs’ international entrepreneurial orientation and processes ([Swoboda and Olejnik 2016](#_ENREF_62)). Due to different types of network ties at home, such differences can moderate the impact of entrepreneurship on SMEs’ international activites ([Zhang et al. 2016](#_ENREF_79)).

It has been found that with networking, firms may be able to simultaneously capture the unfolding entrepreneurial process and the evolving social relationships between entrepreneurs and other people ([Larson and Starr 1993](#_ENREF_38)). However, international networking does not always have a positive impact on firms’ financial perofrmanc ([Bai, Holmström Lind, and Johanson 2016](#_ENREF_3)). In addition, the network approach is said to hve neglected the strategic position and influence of individual entrepreneurs in the interantionalization of SMEs ([Ruzzier et al. 2006](#_ENREF_57)), and the role of knowledge is still underdiscovered for its impact on glboal mindset ([French and Chang 2016](#_ENREF_20)). Entrepenuers’ social relations and business networks help them to acuqire necessary reources to explore speicific foreign markets and exchange partners ([Evers and O’Gorman 2011](#_ENREF_14), [Greve and Salaff 2003](#_ENREF_22)). Entrepreneurs tend to control information flows and generate greater credit slips if their network position is central within disconncted clusters, as these structrual holes may lead to greater structural autonomy and positive impact on entrepreneur success because it helps to facilitate swift response to new opportunities through networking activities and neutralize negative impacts ([Batjargal 2010](#_ENREF_5)). This explains why Chinese entrepreneurs incline to create actviely structural roles in their network ([Batjargal 2010](#_ENREF_5)), because guanxi networks are essential for Chinese firms to achieve entrepreneurial success by overcoming environmental barriers and resource deficiency in the context of the country’s rapid economic transformation ([Guo and Miller 2010](#_ENREF_23)). Based on the disucssion above, we propose the following hypotheses:

H3a: Chinese SME’s entrepreneurial orientation is positively related to international networking activities.

H3b. Chinese SME’s entrepreneurial orientation is positively related to international know-how activities.

H4a: Chinese SME’s owner/manager global mindset is positively related to international networking activities.

H4b: Chinese SME’s owner/manager global mindset is positively related to international know-how activities

## Mediating effect

SMEs’ internationalization is a multidimentional activity that is shaped by both internal and external factors, and the changing external environment also requires firms to take a flexible, adaptive approach to develop continuous competitive advantage. In the process of deploying resource-consuming global expansion, SMEs’ interantional networking and know-how activities, as well as competitive intensity, have important mederation effect on the degree of internationalization ([Felício et al. 2015](#_ENREF_16), [Martin and Javalgi 2016](#_ENREF_44)). To this end, the relationships between interantioanl activties, know-how activties, global mindset and entrepreneurial orientation tend to be elastic and changeable. Since global thinking can help integrate firms’ knowledge structure by distinguishing the commonalities of different cultures and markets, it is necessary to identify the links between specific behaviour attributes and global mindset can lead to international actions ([Levy et al. 2007](#_ENREF_40)).

On the other hand, current studies have not paid enough attention to survey cognitive filters and knowledge structures for conceptualization of global mindset, which comes from accumlated (or acquired) knoweldge through external activities ([French and Chang 2016](#_ENREF_20)). Thus an exploration of the mediating effect of foreign operations is conspicuous for understanding the influence of entrepreneurial orientation and global mindset during this process ([Terjesen, Hessels, and Li 2016](#_ENREF_65)) . First, networking can optimize market information and modify individual entrepreneurs’ knowledge about global market opportunities, which are essential for SMEs’ international expansion ([Knight and Liesch 2002](#_ENREF_34), [Kyvik et al. 2013](#_ENREF_36)). Through networking with customers, firms may develop market specific knoweldge that will contribute to the success of firm’s internationalization ([Soriano and Dobon 2009](#_ENREF_60)) ([Weerawardena et al. 2007](#_ENREF_69)) . Since global mindset has significant effects on information-processing patterns for manageiral capbilities ([Levy et al. 2007](#_ENREF_40)), SMEs may have to confront with challenges arising from limited resources that support langauge skills, management strategy and capacity to acknowledge complex situations ([Felício et al. 2012](#_ENREF_17)). Thus entreprenuers’ global mindset and international orientation may be limited by a narraw scope in networking.

Second, there is insuffient empirical evidence reporting the constraint effect of international know-how activities on SMEs’international entrepreneurship. It has been suggested that global mindset can stronlgy influence SMEs’ finacial results on the development of specialization and know-how, the propensity to share knowledge and the choice of using international networks to discover market opportunities ([Felício et al. 2015](#_ENREF_16)). Technology know-how and marketing know-how also have moderation effect on the relationship between regional and international business expansion ([Wu et al. 2016](#_ENREF_73)). Meanwhile, firms’ internationalization is influenced by the know-how acquisition process, during which individual managers maintain and improve global mindset of international activities ([Weerawardena et al. 2007](#_ENREF_69)). For instance, knowledge ambiguity and complexity can negatively affect the propensity to transfer knowledge through learning ([Simonin 1997](#_ENREF_59)), and this may influence the development of global mindset and international entreprenuership for individual SME managers. For Chinese SME entrepreneurs, therefore, their internationalization processes are shadowed by a flexible know-how approach dealing with the changing innovation engagement and incentives due to a volatile regulaotry environment, which is featured with sometimes random and arbitrary policy making and enforcement, uneven government support to larger firms or SOEs ([Dimitratos et al. 2016](#_ENREF_11), [Zhang et al. 2012](#_ENREF_78)). Thus, we propose:

H5a: International networking activities mediate the relationship between entrepreneurial orientation and the degree of internalization.

H5b: International know-how activities mediate entrepreneurial orientation and the degree of internalization.

H6a: International networking activities mediate the relationship between global mindset and the degree of internalization.

H6b: International know-how activities mediate the relationship between global mindset and the degree of internalization.

A conceptual framework of this study has been developed to reflect the above hypotheses (Figure 1).

Figure 1: Theoretical framework

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# Figure 1 conceptual model

# Research method

The emprical data for this study were collected by using a survey questionnaire, which was first developed in English, translated into Chinese by a bilingual professor of business studies, and back-translated by a second bilingual professor in the same subject area. Minor ajustments were made following the discussion of the two professors and the authors. The construct measures in the questionnaire were based on sources from the extant literature.

*Dependent variable.* The degree of interationalization is measured by two indicators: geographic coverage and foreign market involvement. Geographic coverage was measured using the number of foreign countries that the company has business invonvment, including selling of its products ([Lu and Beamish 2001](#_ENREF_42)). Foreign market involvement was measured by the major mode of market entry mode that campany adopted, i.e. exporting, strategic alliance, joint venture, and wholy-owned subsidary.

*Independent variables.* For entrepreneurial orientation, we followed [Zhang et al. (2016)](#_ENREF_79) and adopted the commonly used ten items developed by [Covin and Slevin (1989)](#_ENREF_10) and [Zahra and Garvis (2000b)](#_ENREF_76) to measure a firm’s innovativeness, proactiveness and risk-taking. Global mindset was measured by 3 items selected from behaviour in [Felício et al. (2015)](#_ENREF_16).

*Mediators.* The mediators include international networking activities and international know-how activities, and their measures were also adopted from [Felício et al. (2015)](#_ENREF_16) and Bai et al. (2016).

*Control variables.* Control variables included firm size (number of employees), annual sale volume, firm age, and industry.

## Sample and data collection

We developed an online version of the questionnaire hosted by ‘Sojump.com’ (a large scale commercial survey website in China, similar to Survey Monkey) to collect empirical data and test our hypotheses. The target population for this study consists of owners or key decision makers (owners/managers) at private-own companies originating in China ([Fabian and Molina 2009](#_ENREF_15), [Zhang et al. 2016](#_ENREF_79)). We approached a nation-wide SME trade association (with approx. 2000 members) and secured its collaboration in recruiting survey participants. The SME trade association sent out invitation to member organizations via social network application, WeChat group function. The use of social media WeChat is justified because it has been widely used by Chinese SME owner/manager to communicate with each other, exchange commercial information, and build social networks. Furthermore, it is a highly efficient and effective means to reach and engage with the potential research participants, in comparison with traditional tools such as postal or drop-and-collect surveys.

Following the definition of SME by the European Union (European Commission Small Business, 2009), to be included in the study, the repondent’s company should have fewer than 250 employees ([Brouthers et al. 2015](#_ENREF_8)). We use Partial Least Squares Structural Equation Modeling (PLS-SEM) to as test our model.

# Results

The average number of countries the sample SMEs have business relation is 5.14, the average number of staff is 123, and the average sale is 142 million Chinese Yuan. Other company demographic variables are listed in Table 1. The history of the sample companies are mostly between 6-15 years. The majority of them are in electronics and textile industries. The modes of international involvement are mainly export (74%).

Table 1 Company profile

|  |  |  |
| --- | --- | --- |
| **Company age** | Frequency | percentage |
| 1-5 years | 28 | 13.5 |
| 6-10 years | 67 | 32.2 |
| 11-15 years | 76 | 36.5 |
| 16-20 years | 22 | 10.6 |
| 20 and above | 15 | 7.2 |
| **Industry** |   |   |
| Textile and garment | 50 | 24 |
| Chemical, rubber and plastic products | 37 | 17.8 |
| Metal and machinery | 37 | 17.8 |
| Electronic, optical, electrical products | 73 | 35.1 |
| Others | 11 | 5.3 |
| **Involvement** |   |   |
| Export | 154 | 74 |
| Strategic alliance | 29 | 13.9 |
| Joint venture | 18 | 8.7 |
| Direct investment/Subsidiary  | 7 | 3.4 |

## Measurement model results

We treated entrepreneurial orientation as a second order reflective construct, with the first-order features of innovation (0.843), proactivness (0.834), risk-taking (0.749), the loadings were well above recommended level of .7. We treated the degree of internationalization as a formative construct consisting two indicators: geographic coverage and mode of international involvement (0.401 and 0.874 respectively).

For reflective constructs, the measurement model examines convergent validity and discriminant validity. Table 2 shows the average variance extracted (AVE) and composite reliability (CR) for each first-order construct. According to [Hair, Ringle, and Sarstedt (2011)](#_ENREF_25), the recommended level of AVE is 0.5 and the recommended level of CR is 0.7. All the data as shown in Table 2 meet the requirements. Thus convergent validity of the measures was verified.

Table 2 Convergent validity

|  |  |  |
| --- | --- | --- |
|   |  AVE | Composite Reliability |
| Global mindset | 0.640 | 0.842 |
| Innovation | 0.575 | 0.802 |
| Know-how activities | 0.616 | 0.828 |
| Pro-activeness | 0.517 | 0.762 |
| Risk-taking | 0.681 | 0.865 |
| Networking activities | 0.562 | 0.794 |

For the test of discriminant validity, one needs to examine cross loadings and comparing the square roots of the AVE ([Hair et al. 2011](#_ENREF_25)) and the correlations between latent variables ([Fornell and Larcker 1981](#_ENREF_19)). As shown in Table 3, each indicator loads higher on their respective construct than on others. Table 4 shows that the square roots of the AVEs exceed the correlations between every pair of latent variables. Thus discriminant validity can be confirmed.

Table 3 Cross-loadings

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   | Global mindset | Innovation | Know-how act | networking act | Pro-activeness | Risk-taking |
|  glob1 | **0.791** | 0.528 | 0.473 | 0.548 | 0.454 | 0.090 |
|  glob2 | **0.779** | 0.469 | 0.556 | 0.532 | 0.487 | 0.147 |
|  glob3 | **0.828** | 0.454 | 0.491 | 0.554 | 0.517 | 0.150 |
|  inn1 | 0.56 | **0.801** | 0.437 | 0.487 | 0.516 | 0.275 |
|  inn2 | 0.452 | **0.746** | 0.411 | 0.437 | 0.473 | 0.323 |
|  inn3 | 0.354 | **0.725** | 0.324 | 0.486 | 0.404 | 0.316 |
|  know1 | 0.408 | 0.393 | **0.773** | 0.415 | 0.467 | 0.306 |
|  know2 | 0.501 | 0.379 | **0.816** | 0.548 | 0.545 | 0.332 |
|  know3 | 0.574 | 0.443 | **0.764** | 0.580 | 0.422 | 0.241 |
|  network1 | 0.579 | 0.574 | 0.549 | **0.779** | 0.513 | 0.348 |
|  network2 | 0.504 | 0.382 | 0.490 | **0.733** | 0.407 | 0.182 |
|  network3 | 0.436 | 0.416 | 0.438 | **0.736** | 0.313 | 0.292 |
|  pro1 | 0.353 | 0.356 | 0.315 | 0.346 | **0.683** | 0.367 |
|  pro2 | 0.521 | 0.515 | 0.537 | 0.455 | **0.755** | 0.270 |
|  pro3 | 0.430 | 0.447 | 0.453 | 0.398 | **0.718** | 0.282 |
|  risk1 | -0.024 | 0.259 | 0.175 | 0.222 | 0.219 | **0.772** |
|  risk2 | 0.206 | 0.411 | 0.384 | 0.404 | 0.450 | **0.885** |
|  risk3 | 0.184 | 0.302 | 0.333 | 0.266 | 0.345 | **0.816** |

Table 4 Correlations and quare root of AVEs

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|   | Global mindset | Innovation | Intl | Know-how act | Pro-activeness | Risk-taking | Networking activities |
| Global mindset | **0.800**  |   |   |   |   |   |  |
| Innovation | 0.605 | **0.758**  |   |   |   |   |  |
| Internationalisation | -0.070 | -0.174 | NA |   |   |   |  |
| Know-how activities | 0.635 | 0.517 | 0.060 | **0.785**  |   |   |  |
| Pro-activeness | 0.608 | 0.614 | -0.067 | 0.610 | **0.719**  |   |  |
| Risk-taking | 0.162 | 0.401 | -0.066 | 0.372 | 0.423 | **0.825**  |  |
| Networking activities | 0.681 | 0.620 | -0.141 | 0.661 | 0.558 | 0.371 | **0.750** |

 *Notes:* Boldface numbers on the diagonal are the square root of the average variance extracted.

## Structural model results

Figure 2 presents the structural model results, which indicate that the aggregate path coefficients are statistically significant. *R*² values for networking activities and know-how activities were 55.9% and 50.1% respectively, indicating adequate explanatory power ([Hair et al. 2011](#_ENREF_25)). However the *R*² for degree of internationalization is weak (11.5%).

The results indicate that H1 and H2 were not supported. Neither entrepreneurial orientation nor global mindset has a significant positive effect on the degree of interationalization (β=-0.139, t=1.204; and β=-0.029, t=0.236, respectively).

Entrepreneurial orientation does have a positive significant effect on international networking activities (β=0.375, p<0.01), and nternational know-how activities (β=0.38, p<0.01), thus H3a and H3b can be supported.

Global mindset was also found to have a positive effect on international networking activities (β=0.468, p<0.01), as well as on international know-how activities (β=0.418, p<0.01), thus H4a and H4b can be supported.

Figure 2: Structural model results

Note:\**p* < 0.05; \*\**p* <0.01;

There was no positive relationship between social networking activities and degree of internationalisation (β=-0.273, p<0.05), therefore there is no need to run a mediation test. As a result, we can say that H5a was not supported by our evidence, i.e. there was no mediation effect of international networking activities on the relationship between entrepreneurial orientation and the degree of internalization. For the same reason, H6a cannot be supported either, that is, international networking activities do not mediate the relationship between global mindset and the degree of internalization.

Given that international know-how activities have a significant positive effect on internationalisation (β=0.335, p<0.01), we ran two sets of mediation analysis using bootstrapping procedure. The results show that H5b was supported, i.e. international know-how activities mediate entrepreneurial orientation and the degree of internalization (indirect effect=0.128, SE= 0.048, t-value=2.660, 95%LL=0.034, 95%UL=0.222); and H6b was also supported, i.e. International know-how activities mediate the relationship between global mindset and the degree of internalization (indirect effect=0.14, SE=0.062, t-value=2.265, 95%LL =0.019, 95%UL=0.262). Table 5 summarises the results of hypothesis testing.

Table 5 Results of hypothesis testing

|  |  |  |
| --- | --- | --- |
|  |  Hypotheses |  Supported? |
| H1 | EO 🡪 Internationalisation | No |
| H2 | Global mindset 🡪 Internationalisation | No |
| H3a | EO 🡪 International networking activities | Yes |
| H3b | EO 🡪 International know-how activities | Yes |
| H4a | Global mindset 🡪 International networking activities | Yes |
| H4b | Global mindset 🡪 International know-how activities | Yes |
| H5a | EO 🡪 International networking activities 🡪 Internationalisation | No |
| H5b | EO 🡪 International know-how activities 🡪 Internationalisation | Yes |
| H6a | Global mindset 🡪 International networking activities 🡪 Internationalisation | No |
| H6b | Global mindset 🡪 International know-how activities 🡪 Internationalisation | Yes |

***Limitations***

The results provide valuable ovservation about Chinese SMEs’ internationalization activities associated with the degree of entrepreneurship and global mindset, as well as the mediation effect of know-how and networking activities; however, the research is constrained by a number of limitations. First, our samples are from a pool of 2,000 Chinese SMEs in a nation-wide trade association, which means it is not clear whether our findings can be generalizable to those SMEs outside this national organization. Second, although using social media, e.g. WeChat applications, to invite participants can be quick and efficient, sometimes social media research may suffer from difficulties of accurately understanding and interpreting individuals’ attitudes and motivations (Branthwaite and Paterson 2011). Third, given the sampling method follows the European Union’s definition for SME that has up to 250 employees, an expansion to those firms with 250 – 500 employees as defined as SMEs in the United States because may help determine if the research findings need to be generalized to other firms (Brouthers et al. 2015). Fourth, the current research does not distinguish different ownerships of Chinese SMEs, and this feature is potentially influential on these firms’ resources that enable them to carry out international activities. Compared with the state-owned enterprises, private frims, especially private SMEs, may face more challenges for getting government support and sufficient information because of their insufficient resources in finance, human resources and social capital. Further research could look at these issues again and collect data from a wider range of objects, and a closer examination of different ownership may offer better understanding of how ownership is correlated with the performance of Chinese SMEs when they engage with international activities. In addition, our conceptual model shares limitation addressed by Ruzzier at al. (2006) as it is comprehensive but not exhaustive, so a future research should deploy a longitudinal method in order to identify more expansive interactions among key factors of SME internationalization.

# Discussion and conclusions

Despite the limitations, our study makes novel contributions to both entreprenurship literature and intenational practice for Chinese SMEs. By examining the role of entrepreneurial orientation, global mindset on two international activities: networking and know-how, and subsequently on the degree of firms’ internationalization, this study makes a unique attempt to advance our understanding of Chinese SMEs’ strategies and practics in the global market. A conceptual model was developed and tested with a sample of 208 small and medium size firms from China. The results indicate both entrepreneurial orientation and global mindset have positive effects on international networking and know-how activities, though they do not have a direct effect on the degree of internationalization. This unantipicated result is surprising; however, it is consistent with the fact that the development of Chinese SMEs is constrained by the country’s exsiting institutional mechanism that puts more weight on larger and state-owned firms (Lu and Tao 2010, Zhang et al. 2016).

Our study advances entrepreneurship research by delineating the characters of interantional veturing activities in the world’s largest emerging economy and further the conceputal antecedent within entrepreneurship research. The findings shed light on the factors influencing Chinese SMEs’ internationalization process. Our study addresses the research gap on resource-based research that pays insufficient attention to entrepreneurship (Alvarez and Busenitz 2001) in general, and the international venturing activities for Chinese SMEs in particular. It enriches the theoretical horizon in conceptualizing firms’ international behaivour by linking individual entrepreneurs’ attributes and strategies with the organizations’ development at the international arena.

This research may make a contribution to the resource-based view on business venturing because the findings demonstrates a surprising result different from our hypotheses on the mediation effect of the firm’s resources such as know-how and networking activities. As the results show, these Chinese SMEs’ international networking activities have no mediation effect on the relationship between the degree of internationalization and managers’/owners’ global mindset. However, empirical evidence does indicate an indirect mediation effect of SMEs’ international know-how activity on this relationship. Following the call that the resource-based view related research needs to focus more on SME entreprenuership (Barney et al. 2001), our findings extend the boundaries of this approach by further envisioning the extent to which Chinese SMEs’ international activities are influenced by individuals’ knowledge resource and social capital.

A number of implications can be identified as a reuslt of the current study. First, the research implies that SME managers need to engage more on learning, rather than networking, activities in the international arena because the latter does not have significant impact on the firm’s international entreprenuial orientation and individuals’ global mindset. Contrary to Batjargal’s (2010) annotation encouraging entreprenuers to be socially creative and alert to new international networking methods, the current study suggests that the knowledge of international market and relevant learning processes are more important for Chinese SMEs to expand in foreign environments. Secondly, despite the insignificant role of networking on international entreprenuership, it is imperative for managers and owers in Chinese SMEs to explore international venturing opportunities through networks because it is a perceived channel for the firm to expand in a wider range of market. Instead of overstating or undermining the guanxi effect in international business activities, a recognition of the function of guanxi network is pivotal for both researchers and entrepreneurs to appreciate the importance of this indispensable part of Chinese culture.

Third, the findings suggest that in these Chinese SMEs, individuals’ global mindset and entrepreneurial orientation has little impact on the degre of internationalization. The survey response implies that SME owners or managers may be frustrated by the institutional barriers that have led to resource shortage detrimental for them to carry out international activities. Even with active plans and innovative thinking, the resource constraint arising from institutional barriers can subotage individuals’ passion on undertaking international venturing activities. A policy implication of this finding is that the government support is very important for Chinese SMEs as the domestic environmental factors, such as finance, taxation, credit assurance and human resources, are critical for these firms to develop further in foreign markets.

Indeed, despite the growing attention to the recent development of entrepreneurship in China (Batjargal 2010, Dimitratos et al. 2016, Lu and Tao 2010, Su et al. 2015, Zhang et al. 2012, Zhang et al. 2016), we know little about how Chinese SMEs’ internationalization is influenced by individuals’ global mindset and entrepreneurial orientation, as well as the mediation effect of international know-how and networking activities. Drawing on the resource-based view and the Chinese culture of social capital, our study suggests that among these factors there is a dynamic interplay that is quite distinctive from the correlation found in other countries. Hence, the scanty influence of international entrepreneurial orientation on shaping the degree of internationalization may reflect for the Chinese SMEs surveyed a realistic strategy in light of insufficient policy support. Another possible reason can be found in the context-specific explanation that highlights the essence of China’s emerging and transition economy as unique characters (Zhang et al 2016) that may influence firms’ internationalization. Thus the most important policy implication of this study is how to promote Chinese SMEs’ global expansion that is challenged by the absence of an instrumental institutional environment. This requires further and more in-depth investigation of the relationships between firm performance, international entrepreneurship and internal resources for Chinese SMEs. Such probe would need a broader range of samples, a longitudinal framework and a mixed-ownership approach.

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