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The Impact of Global Mind set on Firm International Performance: an Empirical Study on Sports SMEs of Pakistan

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Abstract: The empirical study on small and medium enterprises related to sports products manufacturing investigates the relationship between global mind set and firm international performance by following 320 firms which are operating for over 10 years. A keen focus of this study is to check major dimensions of global mind set the intellectual intelligence and cultural intelligence with firm international performance. The author developed a framework and adapts a questionnaire to test it empirically through the owners/managers of small and medium enterprises of sports industry of Pakistan. The findings indicated that the cultural intelligence and intellectual intelligence are the main drivers of global mind set that are closely interrelated with firm international performance. At the end limitations and suggestions for future research are provided.

Keywords: Global mind set, Firm international performance, contingency theory, SMEs, Sport industry Pakistan

1. Introduction:

Small medium enterprises (SMEs) are very important for the betterment of business society. SMEs provide jobs to the nation (Nyamboga, 2014). The governments of developing countries are trying hard to promote SMEs to compete with international businesses by organizing different entrepreneurship development programs (Fohtung, 2012). Hence to boost the development of SMEs international performance the most challenging question is identification of best variables that affect firm international performance in the long run.

International performance is regarded as a mean to accomplish success by expanding overseas operations and updating their operations according to the international markets (Brouthers, 2014). Firms continuously increase their businesses in the foreign countries, and the impact of Global mind set has become a critical matter of study in the global trade field (De Mooij, 2013). Characteristically, sports SMEs are facing serious challenges, such as incapability, lack of economic resources to progress international firm performance of SMEs (Afraz, 2014). Yet, it is very important and necessary for SMEs to get their resources together with other global firms for endurance, expansion, enlargement, and modernization (Su, 2013).

Jørgensen (2008) claimed that the firm international performance and advanced modernization have most probably reduced the effect of the Five Forces of industries. The controlling principles for viable competitive approach provided that the model is no longer as influential as that was before. However, top

management has to be particular about model application (Chirisa, 2013). The model's strengths relay in enabling a better consideration of what is instable and what is fixed in a business during a period of variation across international borders. Jørgensen (2008) illuminated Porter's belief that high-tech group effort need to be continusly linked with gaining competitive advantage or control over competitors. Firm's global mind set is one critical component in making this evolution.

In the context of small and medium enterprises operating in Pakistan, global mind set of firm is always ignored, which is a main determinant of firm international performance. This can only be done by gaining market excess and by adopting global ways to create better and strong linkages between foreign companies (Raman, 2013) in which Pakistani SMEs lack. To respond this gap, the current study focuses to examine the outcome of global mind set with firm's international performance.

2. Literature Review

Several studies have been conducted to identify firm performance in the domain of SMEs. For development of the hypotheses in this study condensed literature has been reviewed. Here an important thing is to define Small and Medium Enterprise (SME). According to the definition of SMEs provided by the State Bank of Pakistan SMEs account for those organizations that have employed employees more than ten and below two hundred and fifty. Another landmark set by the same authority is based on total assets. The value of total assets should be between Rs. 30 to 200 million.

2.1 Firm's international performance

Firm international performance checks how well a firm achieves its ambitions in the international market. Performance assessment has commenced since the establishment of the firm and it implies on continuous performance. The procedure of problem solving and performance evaluation indicates that organizational learning is in place. Even firms with bad performance commence to get their performance better by adopting the best technique or adopting those of successful firms. This instantaneous and co-current process brings about efficiency and development (Denrell, Fang, & Zhao, 2013).

Firms are established with an intention of serving human requirements, therefore, firm international performance can be linked with how well firm accomplish international needs, which is usually derived from abundant and several point of views, such as shareholders, human resources, consumers, or communities. This perception is also used to calculate the economic strength and competitive benefit of a firm by comparing it with other firms over a specified stage (Santos, 2011).

2.2 Global mind set

Global mind set has amazing dimensions and ways which are less available in any other construct especially while looking towards the improvement of international performance of firm (Kyvik O. S., 2013). Global mind set has ability to understand business functions, markets, and sectors on a global basis. The business is perceived and discussed on the basis of international performance and the criteria used are always global or world-oriented. Although the word global mind set rose comparatively late in global management study, broadly the notion has historic record in the area of cognitive field, and freshly in organizational theory where the centre is on accepting, that how firm make good judgment of global market through which they communicate. According to the hypothesis of concentration (Felício J. A.-N., 2015) global thinking, usually established in the course of decision making, is the skill to distinguish and process knowledge by one's personal insight. Researcher in firm manners and advertising called this procedure of data scanning as discriminating revelation, discerning concentration, selective explanation, and certain preservation (Koh, 2013).

2.2.1 The Intellectual intelligence

Intellectual intelligence is the main dimension of global mind-set that involves inserting diverse knowledge into divisions of connotation. Intellectual intelligence in this study is considered by a compound score of five-item concept that includes: differentiation, integration, supervising hesitation, pattern acknowledgment, and thinking internationally (Ngah, 2015). Whereas it is also argued that overriding focus may cause no positive

impact of intellectual intelligence over firm international performance (Lin & Cheng, 2013).

An organizational frame of mind is the creation of firm background, experiences, civilization, and inclination. The present attitude guides the compilation, understanding, and incorporation of innovative information. When open to the elements of new information that does not fit ones recent approach, the firm can either decline or alter the way of thinking. Opposing to a Global mind set, Costa (2014) noticed that national mind set represent the self-reference. Self reference is a pivotal element which means gaining new knowledge through one own experiences. It is an approach of new business circumstances on the basis of the top management understandings. The capability to open new ways and fresh ideas on domestic country is essential for the firm international performance. The intellectual intelligence produces a mind-set which has identifying information that is recognizable to self-reference principle.

2.2.2 The Cultural Intelligence

Cultural intelligence is one of the important constitute of global mind-set that comprises of cultural inquisitiveness; curiosity related ethnology, world events, international travels and cross culture meetings (Kim Y. J., 2012).

Cultural intelligence is a key to success of cross border and cross organizational workers. Cultural intelligence is the ability to create an impact across different cultures. It is more complex than just working across the local boundaries. High levels of enlightening intelligence (cosmopolitanism) include a powerful awareness in traveling to a foreign country, learning about overseas places, and staying up to date with comprehensive news and events. The construct of cultural intelligence in this study includes four subscales such as Directness to knowledge, Emotional sympathy, Behavioural elasticity, Cross-cultural consideration (Ng, 2012).

Openness to learning refers to the leader's curiosity and skill to learn new concepts, thoughts, principles, and come across unseen circumstances. It involves an enthusiasm to seek and understand the fundamental reasons for cultural differences and to stay away from stereotyping of people from other cultures. Directness to learning also refers to the leader's aptitude to vigorously connect and look for opportunities for enlargement and knowledge. The ability to learn innovative and unknown information is imperative for an international frame of mind (Rockstuhl, 2011).

Education may engage a modification in content, procedure, or actions as a result of new information, understanding, or new behavioural norms. As explained formerly in this study, learning starts with choosy revelation to fresh information that is processed into short-term or

long-term memory. Careful preservation is the skill to keep in mind and evoke original information, and it is based on the firm's enthusiasm to pay concentration and infer meanings into patterns and classifications that are kept in one's collective works.

For conducting this research contingency theory underpins the study which clarifies how exogenous variable influence the effect of globalization on the firm international performance.

2.3 Contingency Theory

The classical management theory is criticized by Contingency theory. It is being abandoned to a variety of aspects of the contingency factors (Van de Ven, 2013). The system of organization is known as administration and the theory is measured as "iron cage" due to strike on competence which bring about undecided study, such as specialized area, official rule and process, and scientific performance evaluation (Gupta V. K., 2015). Human resource practices are brought into the light with Taylor's management theory which has qualified workers as machines, to attain performance.

The adaptive approach of an organization to counter firm's leadership disorder is pointed out by contingency strategy. Fielder's contingency theory is the first and most substantially investigated. Fiedler's approach leaves mind set and behaviour the designs by saying that firm efficiency is conditional to mindset of top administration.

In the upcoming economic system, the rising firms are connected with a skill to deal with conversion system with a shady atmosphere (Kraus, 2012). Highly acknowledged top management ambiguity has significant effects on firm international performance. On the other hand, it has diverse results on small and medium firms. The response of top management to external business situation is linked with opportunistic observations as highlighted by contingency model of organizations. The need of firms to assign resources with great care and set global mind set for getting better firm international performance. (Wang M.-C. , 2012)

2.4 Hypothesis Development

The proposed model of the study tries to explain the relationship between global mind set and firm international performance, which includes intellectual intelligence and cultural intelligence, (Hawkins, Mothersbaugh, & Best, 2007) try to identify the driving forces of firms success, i.e. cultural intelligence and intellectual intelligence. Hence, Researchers of comprehensive mind set projected that greater the global mind set, better the firm international performance. It is described by

using two different approaches. One approach defines global mind set as the expertise to enlarge and understand criteria for organizational performance that are autonomous of the assumption of a single country, culture, or circumstance. It is to utilize those criteria correctly in diverse countries, cultures, and contexts. The other approach to global mind set defines it as the talent to put together openness. It is done for the consciousness of multiplicity across cultures and markets. While doing so intention is to merge assorted cultures (Gupta, Huang, & Yayla, 2011). A number of studies provide evidence that Global mind set has positive impact on firm international performance (Osland, Li, & Wang, 2014).

Global mind set is characterized by factors that focus on organizational nature of cognition, intellectual and cultural, and on those business factors that are associated with firm perspectives regarding the global market. Felício et al. (2015) demonstrated the importance of these factors associated with global mind set and we formulate it with the following hypothesis.

Hypothesis 1: The intellectual intelligence has positive effect on firm international performance

The idea is generated from Global mind set, which is likely to have significant influence on firm international performance. The Intellectual intelligence is predictable to provide positive impact on firm international performance (Mention, 2013). However, some fundamentals of global mindset may have diverse impacts.

Hypothesis 2: The cultural intelligence has positive effect on firm international performance

According to the contingency theory, the sound performance may occur because of strong cultural intelligence that can be achieved through desirable work environment (Magnusson, 2013) and life satisfaction of firm. However, different stages of firm's development may come with diverse relationship between cultural intelligence and firm international performance. Overhead cost to maintain greater cultural intelligence is one of the reasons why the relationship between global mind set and firm international performance is not continuously positive (Malek, 2013). At start-up level, firms invest resources to enhance firm cultural intelligence, which implies on poor firm international performance in the short run. In addition, spill over information, which arises from better cultural intelligence may bring negative effect on firm international performance (Chen, 2012). This suggests the success of decision in SMEs, which are contingent on the level of firm cultural intelligence (García-Morales, 2012).

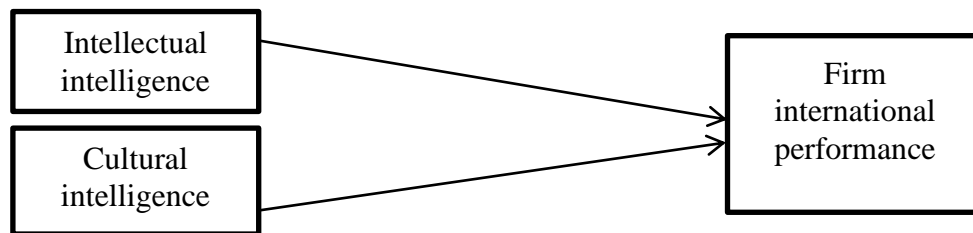


Figure 1 Proposed Theoretical Framework

3. Method

The research applies the quantitative technique approach. The method will be clarified in the following steps.

3.1 Quantitative Approach

For this study cross sectional design has been chosen with quantitative techniques. The data was gathered with the help of an instrument. The questionnaire was adapted for the collection of data. The questionnaire was given to the respondents who were chosen through simple random sampling approach. The population of the study comprise of SMEs operating in the manufacturing of sports goods. The owners and managers in Sialkot Pakistan were contacted for answering the questions posted in the research instrument. The layout of the questioner was developed in such a way that it may cover the entire aspects that this study was suppose to cover.

3.2 Sample

The sample frame was taken by Sialkot chamber of commerce and industry (SCCI) database. This database is published by City Government of Sialkot. A list of questionnaires was sent to 650 respondents, which were randomly selected from the population of 29,894 SMEs. Hence, 320 SMEs owner managers were the participants of the study, therefore it would be right to say that sufficient participation was done. The results are true representative of the entire population and therefore, can be generalized (Krejcie & Morgan, 1970).

3.3 Measures

The measures of firm international performance with subjective method were taken from Wang and Liu (2014). The subjective method is portion of

research approach to deal with practical economic report on SMEs (Sheppard, 2010). The global mind set construct was adapted from Van Dyne, L., Ang, S., & Koh, C. K. S. (2009), which considers two original factors, i.e. the intellectual intelligence and the cultural intelligence. The questionnaire was designed with seven point Likert scaling (1-7 ratings).

3.4 Research Design

This research uses Partial Least Square Structural Equation Modeling (PLS-SEM) to test the derived hypothesis. This method maximizes the change with an iterative order of partial least square by approximation of the coefficient of independent variables. This suggests that PLS-SEM is more applicable for application where study statement of multivariate normality can't be completely applied (Hair, 2012). However, this method has difficulty of model fit measures and has no standard inferential framework (Henseler, 2010).

4. Results

In this section results of the study are summarised that have been derived from the collected data. The analysis performed on those data helps to prove or disprove the hypothesis posed in the study in order to fulfill the objectives of the study.

4.1 Data description

Table 1: shows the latent variables are in the sequence of 4 and 5 with seven point Likert scaling (1-7 ratings). The coefficients of Pearson correlation show all of the dimensions of independent variables have significant correlation with FIP. The utmost correlation among independent variables occurs between intellectual intelligence and firm international performances with 0.7286.

Table 1: Discriminant Validity of the constructs

Variables	1	2	3
FIP	0.8020037		
Cultural intelligence	0.52327	0.889918	
Intellectual intelligence	0.7286	0.781735	0.7917279

Table 2 shows the set of variables that have been used in the measurement model. A set of measurements represent one single construct, the factor investigates and addresses all the constructs employed in the study. According to the calculated values all the constructs were left with significant number of items and none of the construct was removed. Initially Average Variance Extracted (AVE) and Composite Reliability (CR) values were collected along with factor loadings. The results of study reflect AVE and CR values which were acceptable. It seems that all latent variables have AVE greater than 0.5, which suggests that convergent validity is accepted. Likewise, CR values were greater than 0.70, showing that measures are reliable.

Table 2: Results of measurement model

Latent variables	Items	Loadings	AVE	CR
Cultural intelligence	FIP3	0.763251	0.64321	0.843802
	FIP4	0.820032		
	FIP5	0.821355		
	GMCI10	0.910827		
	GMCI11	0.929992		
	GMCI12	0.824059		
Intellectual intelligence	GMCI13	0.891208	0.626833	0.937785
	GMI1	0.774683		
	GMI2	0.684501		
	GMI3	0.809749		
	GMI4	0.823746		
	GMI5	0.843337		
	GMI6	0.814635		
	GMI7	0.79614		
	GMI8	0.774196		
	GMI9	0.794045		

4.2 Path Analysis

Table 3 shows bootstrap output, that delivers evident which some proposed independent variables have substantial effect on firm international performance. Both intellectual intelligence with $t=2.294$ and cultural intelligence with $t=17.174$ have significant effect on firm international performance with $p>.05$. Consequently, H1 and H2 are accepted.

Table 3: The Results of the Structure Model Path coefficient and hypothesis testing

Hypotheses	Relationship	Beta	SE	T- Statistics	Decision
H1	cultural ->FIP	0.119062	0.05189	2.294519	Supported
H2	intellectual -> FIP	0.821675	0.047843	17.174399	Supported

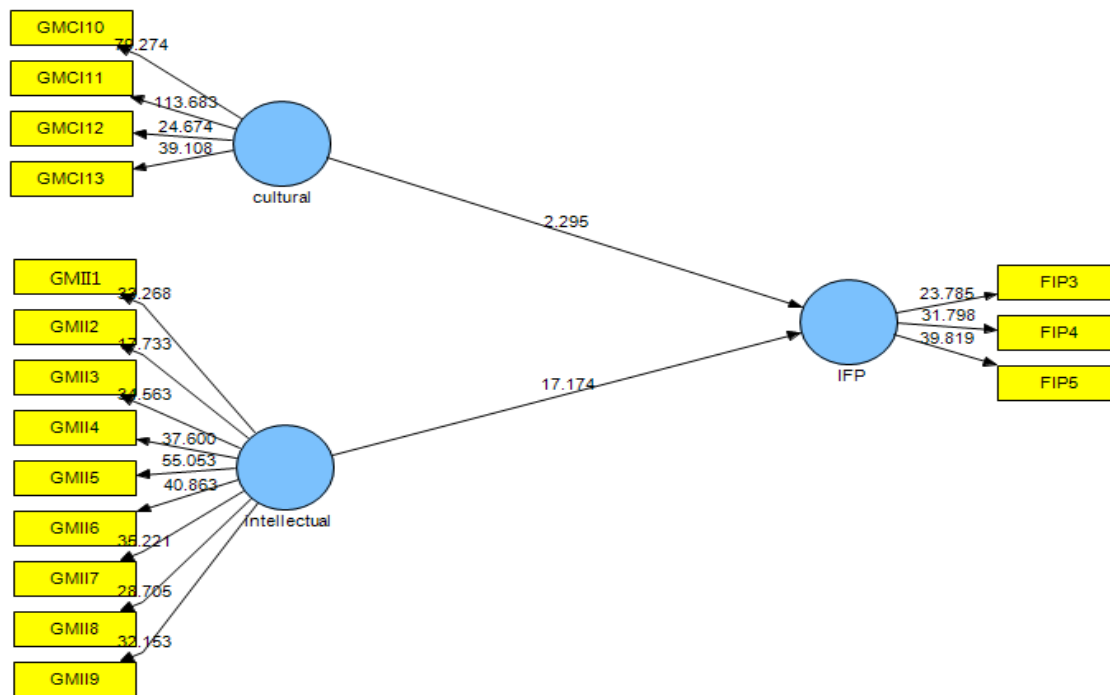


Figure 1: Structure Model

5. Discussions and Conclusions

The global mind set as a valuable resource plays a key role to strengthen the firm international performance. This study reports that global mind has a tendency to develop global orientation, which significantly improves the international competitiveness of SMEs. However, the impact of the measures, i.e. intellectual intelligence and cultural intelligence has a positive effect on firm international performance, provided that global mind set of an SME is independent of international experience. Moreover, as a cognitive resource, global mind set allows SMEs to seek market opportunities globally. The dimensions of the firm global mind set help owners to identify, understand, and grab the opportunities of the international market. As a cultural and intellectual mechanism, global mind set has an operational and pragmatic relationship with the firm international performance, which deals with the acquisition, dissemination, and responsiveness to export intelligently.

The results of this study have shown that the overall mentality is significantly related to international performance, but the question is how a company can develop, update, and determine its global mind set? The global mind set is developed mainly through the life experience of a joint educational awareness. It takes initiative with international consignment and so it might be interesting to the practice of global experience and personnel management. The implications are simple that enterprises should devote an appropriate amount of resources to gain

competitive advantage and strategic position in the global markets. The effectiveness of the global mind set is achieved when processes are established. Export markets represent a profitable business for SMEs and the result of innovatory opportunities rather than systematic planning.

The study has some limitations, which should be addressed in future researches. First, the sampling frame is limited to sports SMEs located in Sialkot, Pakistan only, although it's the world second largest place of sports good manufacturing, yet other industries should be touched. The different socio-economic culture could provide different impact on the firm international performance. Secondly, only one respondent from each company was contacted to respond the questionnaire. Everyone in this business has different interests, such as first and second generation owner-managers, implies difference in preferences. Third, this study used cross-sectional data, which appears to provide instantaneous observation. It would be worthwhile to study the origin of the dynamic environment in the context of time series, which can support this study in relation to the size of the environment.

Finally, export is an entry strategy that facilitates dependency relationship with foreign partners (i.e., importers, trading companies and distributors import). Future studies might reveal the global mind set reflected when the valuation of export-import relations increases. Research in the area of export-import relations more than ever focus on contemporary international market research and should not be omitted.

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