

Cross-cultural analysis of the global mindset and the internationalization behavior of small firms

J. Augusto Felício · Vítor R. Caldeirinha · Ricardo Rodrigues · Oyvind Kyvik

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Abstract This research analyzes the influence of a global mindset on the internationalization behavior of Norwegian and Portuguese small firms. It specifically sets out to assess the role of global orientation of the entrepreneur and firm perspectives on the global market. Based on a sample of 354 small firms, we used structural equation modeling to conduct our analysis. The results show the differing importance of a range of factors in explaining global mindset in different contexts. The global mindset of Norwegian entrepreneurs conditions their behavior and international experience, while for Portuguese entrepreneurs it affects the cognitive domain and their technical expertise. Global mindset and global orientation have more relevant effects on the internationalization behavior of Norwegian firms than that of Portuguese firms.

Keywords Global mindset · Global orientation · Small firms · Internationalization behavior

Introduction

The need to sustain competitive conditions for companies, the growing complexity of the global market, and a greater interconnection of individual components and

J. A. Felício (✉)

School of Economics and Management, Technical University of Lisbon, Lisbon, Portugal
e-mail: jaufeli@iseg.utl.pt

V. R. Caldeirinha · R. Rodrigues

Centre for Management Studies, School of Economics and Management, Lisbon, Portugal

O. Kyvik

Faculty of Technology, Business, and Maritime Education, Stord/Haugesund University College, Haugesund, Norway

organizations are all factors that lead to an increase in the importance of a global mindset (GM) (Bowen and Inkpen 2009; Levy et al. 2007; Story and Barbuto 2011). The multidimensional perspective that stems from GM combines cultural and national diversity (Chaston and Scott 2012; Idris and Tey 2011; Lee et al. 2012; Maznevski and Lane 2004; Story and Barbuto 2011), as well as the ability of managers to coordinate and integrate local conditions with geographically dispersed operations (Arora et al. 2004; Gallego-Álvarez et al. 2011; Goktan and Miles 2011; Gupta and Govindarajan 2002). This multidimensional perspective also integrates the psychological characteristics and specific skills of managers such as curiosity and concern for context, acceptance of complexity, sensitivity towards diversity, search for opportunities in environments of uncertainty, and integrative thinking (Anderson et al. 2012; Srinivas 1995; Siegel and Renko 2012; Renko et al. 2012). Story and Barbuto (2011) highlight, within the structure of GM, the importance of global orientation, which, according to Arora et al. (2004) and Nummela et al. (2004), incorporates efforts made to understand foreign markets and international networking.

The knowledge about how to operationalize GM is still limited (Arora et al. 2004; Clapp-Smith and Hughes 2007; Levy et al. 2007). In general, the literature discusses GM from the perspective of large companies (Javidan et al. 2007) and scarcely probes into how small businesses behave and seize international opportunities (Canina et al. 2012; Hotho and Champion 2011; Kyvik et al. 2013). Moreover, the effect of GM on the internationalization behavior of the organization is still relatively unknown (Bowen and Inkpen 2009; Erwee 2007).

The current study conceptualizes GM by extending it to entrepreneurs and firms. In the view of Kedia and Mukherji (1999) and Srinivas (1995) the GM of entrepreneurs brings together the cognitive, knowledge, and behavioral domains. Corporate GM is based on firm characteristics and firm perspectives on the global market.

The purpose of this research is to study GM in different contexts, focusing specifically on entrepreneurs' global orientation and firm perspectives on the global market, as well as the influence on the internationalization of small firms. For the analysis of the two samples of Norwegian and Portuguese small firms, three objectives were established: first, to validate the various factors that constitute GM in different cultural contexts; second, to evaluate the influence of GM on the internationalization behavior of small firms; and third, to evaluate the effects of the entrepreneur's global orientation and firm global market perspectives on the internationalization effect felt by the firm, international know-how activities, and international networking activities.

This research contributes to a better understanding of the factors of small firms that explain GM in different cultural contexts and their effect on internationalization behavior. Additionally, it contributes to a deeper understanding of the importance of the entrepreneur's global orientation on the internationalization of firms. Finally, it helps us to understand the weak influence of the corporate global mindset.

The remainder of the paper is structured as follows. The second section provides the theoretical background and hypotheses and the following sections describe the methods, empirical results, discussion, conclusions and contributions. Finally, topics for future research are presented.

Theoretical background and hypotheses

Global mindset

Entrepreneurs with GM tend to approach the world differently from entrepreneurs who are focused on the domestic market (Audretsch 2012; Mousa and Wales 2012; Rhinesmith 1993; Tichy et al. 1992; Yang and Li 2011). Firms with GM accept diversity and heterogeneity as sources of opportunity (Govindarajan and Gupta 2001; Kanter 1995).

Begley and Boyd (2003) and Maznevski and Lane (2004) highlight the corporate GM that is valued by management. This perspective on GM involves cultural diversity based on the prospect of simultaneously maintaining a certain degree of strategic cohesion.

Yin et al. (2008) analyze GM in the multidimensional perspective of the organization. This perspective on GM consists of global orientation, global knowledge and global aptitude. Bartlett and Ghoshal (1992), Gupta and Govindarajan (2002) and Nummela et al. (2004) identify global orientation associated with the commitment and effort to understand foreign markets, international networks and the importance of partnerships with other companies.

Our study is supported by information-processing theory to address the limited ability of individuals to process information, and to consider the way that context limits the interpretation process that affects the data (Giaglis and Fouskas 2011; Hitt et al. 2007; Leonard et al. 1999). In this context of diversity, GM is characterized by factors focused on the individual nature of cognition, knowledge and behavior, and on the business factors of firm characteristics and firm perspectives on the global market. Felício et al. (2012) demonstrated the importance of these factors associated with GM, so we formulate the following hypothesis.

Hypothesis 1 The same factors associated with global mindset exist in different cultural contexts.

Internationalization behavior of small firms

Internationalization stems, among other reasons, from a need to diversify risks and broaden horizons to other markets. This driver of internationalization, apart from requiring resources, depends on GM. Some studies confirm the relationship of GM with the successful internationalization of companies (e.g., Arora et al. 2004; Tseng et al. 2004).

Greater GM within the company makes it easier to support a global business approach in existing markets and enter new markets and pursue a global strategy (Battistella et al. 2012; Porter 1985). Several authors (Levy et al. 2007; Bowen and Inkpen 2009) have commented on the need to deepen the effect of GM on internationalization behavior. Thus, we formulate the following hypotheses.

Hypothesis 2 Global mindset influences the internationalization effect on small firms in Norway and Portugal differently.

- Hypothesis 3 Global mindset influences the internationalization networking activities on small firms in Norway and Portugal differently.
- Hypothesis 4 Global mindset influences the international know-how activities on small firms in Norway and Portugal differently.

Global orientation and firm perspectives in the global market

Story and Barbuto (2011) and Yin et al. (2008) observed, among other factors, the importance of global orientation as a characteristic that differentiates successful entrepreneurs in the international market. The strategic perspective emphasizes the connections between global business orientation and a worldview, and the perception that opportunities exist in multiple locations (Arora et al. 2004; Bhasin 2012; Bourne 2011). We thus formulate the following hypotheses.

- Hypothesis 5 Global orientation influences the internationalization behavior of Norwegian and Portuguese small firms differently.
- Hypothesis 6 Firm perspectives on the global market influence the internationalization behavior of Norwegian and Portuguese small firms differently.

Methods

Research models and variables

This research examines the effect of global mindset on internationalization behavior [global mindset - model (1)] and, additionally, the relationship of individual global orientation and firm perspectives on the global market with internationalization behavior [global orientation - model (2)] of Norwegian and Portuguese small firms. This research explores the factors, including internationalization effects on firms, international networks and international know-how activities, that constitute GM and explain its relationship with internationalization behavior. The concept of GM can be explained by seven factors identified in the literature each consisting of several variables. These factors are: decision style and attitude in relations (*DECSTYLE*), childhood (*CHILDHOOD*), valuation of international experience (*VALINTEXP*), technical expertise (*TECEXP*), international experience (*INTEXP*), global orientation (*GLORIENT*), firm characteristics (*FCHARACT*), firm perspectives on the global market (*GLOBPERS*), and languages skills (*LANGSKILLS*). These factors are made up of a total of 27 variables. The cognition dimension comprises *DECSTYLE*, *CHILDHOOD*, and *VALINTEXP*; the knowledge dimension comprises *TECEXP*, *INTEXP*, and *LANGSKILLS*; and the behavior dimension consists solely of *GLORIENT*. All these factors refer to entrepreneurs, whereas *FCHARACT* and *GLOBPERS* refer to firms. The endogenous factors are the internationalization effect on the firm (*INTEFFECT*), international know-how activities (*INTKNOW*), and international networking activities (*INTNET*), which constitute a total of 11 variables. Detailed information about factors and variables is shown in Table 1.

Table 1 Factors and variables

Decision style and attitude in relations (DECSTYLE)		
INTERCOLLAB	I encourage interdisciplinary collaboration	1 - totally disagree to 7 - totally agree
LISTOTHERS	I am capable of listening to others and change my opinion	
CANINFLUEN	I believe that I can influence what happens around me	
TEAMPLAYER	I am an active member of a work group	
RESULTORIEN	I am primarily motivated by the results of the firm	
CURIOSITY	I am a person with a great deal of inquisitiveness	
Childhood (CHILDHOOD)		
PARABROAD	During childhood/adolescence, for professional reasons, either of the parents travelled abroad	Yes, No
VISITCOUNT	During childhood/adolescence you visited other countries	
Valuation of international experience (VALINTEXP)		
STUDINTEXP	I recommend teenagers to study abroad	1 - totally disagree to 7 - totally agree
PROFINTEXP	I value a professional's international experience	
Technical expertise (TECEXP)		
MARKEXP	Sales and marketing experience	1 - none to 7 - very high
MNGTEXP	Managerial/administration experience	
International experience (INTEXP)		
INTCONTACT	At work, I contact international clients, suppliers and employees on a daily basis	1 - never to 7 - very often
INTEXPTRAV	I have experience of international travel	1 - none to 7 - very high
Global orientation (GLORIENT)		
OPENIDEAS	I accept the ideas of other countries and cultures just as I accept the ideas and culture of my own country	1 - totally disagree to 7 - totally agree
WILLABROAD	In general, I am willing to work abroad	
GROWOBJ	Internationalization is the only way to achieve the firm's growth objectives	
TAKEFIRM	The manager/owner is willing to take the firm to the international market	
TIMEPLAN	Management spends a considerable amount of time planning international operations	
UNMARKET	Management sees the world as a single, large market	
PLAYSCHOOL	Management sees the world as both a playground (i.e., a market to explore) and a school (i.e., a source of new ideas and knowledge)	
Firm characteristics (FCHARACT)		
TECHADVANC	The products/services are technologically advanced	1 - totally disagree to 7 - totally agree
OWNR&D	The firm does its own research and development	
RESGROWTH	The firm has access to resources that enable future growth	
Firm perspectives on the global market (GLOBPERS)		
GLOBMARKET	The firm's market is by definition, a global one	1 - totally disagree to 7 - totally agree
INTCOMPET	Our competitors are international	
Languages skills (LANGSKILLS)		
LANGSKILLS	Proficiency in languages	1 - no knowledge to 7 - fluent speaker

Table 1 (continued)

Internationalization effect on the firm (INTEFFECT)		
INTFINANC	Internationalization had a positive effect on the firm's financial results	1 - totally disagree to 7 - totally agree
INTEXPERT	Internationalization had a positive effect on the firm's specialization and know-how development	
INTIMAGE	Internationalization had a positive effect on the firm's image	
INTCLIENTS	Percentage of international clients of the firm	1–20%, 21–50%, over 50%, doesn't know
INTSALES	Percentage of sales in the international markets	
International know-how activities (INTKNOW)		
KNOWSUPPL	We frequently attend congresses, conferences and trade fairs aiming to acquire new knowledge and establish contacts with new suppliers	1 - totally disagree to 7 - totally agree
PRESKNOW	We frequently attend congresses, conferences and fairs aiming to present our skills, technologies and products in the international market	
International networking activities (INTNET)		
NETINFO	The firm collaborates with international networks primarily to acquire more information	1 - totally disagree to 7 - totally agree
NETRESOURC	The firm collaborates with international networks primarily to take advantage of the resources in the market	
NETCLIENT	The firm collaborates with international networks primarily to establish or maintain contacts with clients/customers	
NETSUPPL	The firm collaborates with international networks primarily to establish or maintain contacts with suppliers	

The choice of Norwegian and Portuguese small firms as the subject of this study is due to the fact that these are small countries with distinctive characteristics, which are determinant for the strategy of firms of these nationalities (Nandakumar et al. 2010). This is most strongly felt in firms' choices to pursue internationalization, given the small domestic markets of the two countries. Portugal, situated in southern Europe, is characterized by having some of the lowest indicators of economic development in Europe [GDP=15.8 thousand Euros per capita; (Exp. + Imp.)/GDP=70.3; (inv. R&D/GDP) × 100=1.3 %; low education=76.9 %; labor productivity=64.9], while Norway, located in the north of Europe, is characterized by a high level of economic development [GDP=60.2 thousand Euros per capita; (Exp. + Imp.)/GDP=73.1; (inv. R&D/GDP) × 100=1.6 %; low education=22.3 %; labor productivity=181.3].

Data collection and measures

Assuming the European Union's criteria for defining small firms, we obtained databases consisting of 2,071 small Norwegian firms and 2,816 small Portuguese firms from different sectors of activity (reflecting the characteristics of the two economies). To collect the data we chose to conduct electronic surveys administered in Norway (in 2006) and then in Portugal (2009), with 143 responses (7 %) and 211 responses (7.5 %), respectively, from companies with international activities.

At the individual level, two primary measures were used: self-report questionnaires measuring attitudes and individual preferences (e.g., Arora et al. 2004), and expectations (Murtha et al. 1998).

Statistical instruments

Following Felício et al. (2012), this study used the confirmatory analysis method based on structural equation modeling (SEM), using the AMOS software (Arbuckle 2004) to estimate the measurement model and structural model path coefficients of the relationships. To test the structural model with hypotheses on relations between observed and latent variables we opted for a comprehensive approach (Hoyle 1995).

Empirical results

Global mindset versus internationalization behavior

In line with the results presented by Felício et al. (2012), our results confirm the discriminant validity (Fornell and Larcker 1981; Kline 2005) among latent variables ($r < 0.85$). There is a content validity of the latent variables and convergent validity with loadings of latent variables always greater than 0.4/0.5 (Anderson et al. 1987; Garver and Mentzer 1999). The internal consistency of the latent variables of first level was confirmed by the values of Cronbach's alpha (> 0.5) (except for the variables *CHILDHOOD* and *VISITCOUNT* in the Norwegian sample), and by the low correlation between these variables.

In the Portuguese case, the second-level latent variable *GLOBAL MINDSET* is reflected in the first-level latent variables *DECSTYLE*, *CHILDHOOD*, *VALINTEXP*, *TECEXP*, *INTEXP*, *GLORIENT*, *FCHARACT* and *GLOBPERS* and the variable *LANGSKILLS*. The structural model explaining the cause-effect relationships for Portuguese companies associates the variable *GLOBAL MINDSET* with the latent variables *INTEFFECT* ($\beta=0.65$, $R^2=0.42$), *INTKNOW* ($\beta=0.70$, $R^2=0.48$) and *INTERNET* ($\beta=0.55$, $R^2=0.30$). The model revealed goodness of fit with $\chi^2=1008.673$, $\chi^2/df=1.588$, CFI=0.900 (> 0.9), TLI=0.899 (> 0.9), RMSEA=0.053 (<0.06) confirming unidimensional validity (Hair et al. 1998; Tabachnick and Fidell 2001).

In the Norwegian case, the second-level latent variable *GLOBAL MINDSET* is explained by the latent variables of first level. The structural model explaining the cause-effect relationships of the Norwegian firms shows associations between the variable *GLOBAL MINDSET* with the latent variables *INTKNOW* ($\beta=0.85$; $R^2=0.71$), *INTNET* ($\beta=0.69$; $R^2=0.48$), and *INTEFFECT* ($\beta=0.88$; $R^2=0.77$) (Table 2). The model has goodness of fit $\chi^2=1,114,272$, $\chi^2/df=1,755$, CFI=0.84, TLI=0.82, RMSEA=0.073 and the unidimensional validity was confirmed (Hair et al. 1998; Tabachnick and Fidell 2001).

The values of the model's parameters for the two samples are significantly different for firms in each country, as shown by the chi-squared test for the difference of models ($\chi^2_{\text{difference}}=51.443$, $DF=27$, $p=0.003$).

Table 2 Impact of the relationship between the variables of the SEM model

	Squared multiple correlations				Standardized regression weights (β)						
	NO	PT	NO + PT		NO	<i>p</i>	PT	<i>p</i>	NO + PT	<i>p</i>	
DECSTYLE	0.07	0.31	0.20	<---	GLOBAL MIND	0.27		0.56		0.45	
TECEXP	0.21	0.43	0.24	<---	GLOBAL MIND	0.46	0.04	0.65	***	0.49	***
CHILDHOOD	0.05	0.15	0.12	<---	GLOBAL MIND	0.23	0.13	0.39	0.03	0.34	0.01
VALINTEXP	0.10	0.10	0.09	<---	GLOBAL MIND	0.31	0.04	0.32	0.02	0.31	0.00
FCHARACT	0.37	0.20	0.35	<---	GLOBAL MIND	0.61	0.02	0.45	***	0.59	***
INTEXP	0.63	0.55	0.54	<---	GLOBAL MIND	0.79	0.01	0.74	***	0.74	***
GLORIENT	0.85	0.65	0.73	<---	GLOBAL MIND	0.92	0.01	0.81	***	0.86	***
GLOBPERS	0.39	0.31	0.36	<---	GLOBAL MIND	0.62	0.01	0.56	***	0.60	***
INTKNOW	0.72	0.49	0.63	<---	GLOBAL MIND	0.85	0.01	0.70	***	0.79	***
INTNET	0.48	0.30	0.36	<---	GLOBAL MIND	0.69	0.01	0.55	***	0.60	***
INTEFFECT	0.77	0.42	0.52	<---	GLOBAL MIND	0.88	0.01	0.65	***	0.72	***
LANGSKILLS	0.08	0.26	0.15	<---	GLOBAL MIND	0.29	0.03	0.51	***	0.39	***

Comparing models with free parameters, we found that the best results are attained in the model applied to Portugal. The results for the same model applied to Norway and to both countries are, however, acceptable, although the coefficients of relations between constructs differ significantly between the two countries (Table 2).

The explanatory power of the dependent variables in the model is higher in the case of Norwegian companies, but the explanatory factors differ in their weights from one case to the other (Table 2). While decision style, technical expertise and childhood have great weight in the case of Portugal, these factors lose influence in the case of Norway. On the other hand, global orientation, firm perspective on the global market and firm characteristics gain weight in the case of Norwegian companies compared to what occurs in the sample of Portuguese companies.

Global orientation versus internationalization behavior

The research model was confirmed for the samples of Portuguese companies, Norwegian companies and the group of all companies, using SEM. The internal consistency of the latent variables of first level was confirmed by the values of Cronbach's alpha and low correlation values between latent variables (<0.85).

The content validity of the latent variables was verified as per the concepts and definitions in the literature, and the convergent validity with loadings of latent variables was observed to be always higher than 0.4/0.5 (p -value < 0.01) (Anderson et al. 1987; Garver and Mentzer 1999). In the Portuguese sample (Fig. 1), the model has goodness of fit, $\chi^2=286.474$, $\chi^2/df=1.91$, CFI=0.947, TLI=0.933, RMSEA=0.066. Within the Norwegian sample (Fig. 2), the model also presents goodness of fit, $\chi^2=333.189$, $\chi^2/df=2.221$, CFI=0.912, TLI=0.888, RMSEA=0.093. In both cases the unidimensional validity was confirmed.

Based on results of the chi-squared test for the difference between the models, we found that the models for Portugal and Norway have significantly different parameters ($\chi^2_{\text{difference}}=36.9$, DF=15, $p=0.001$).

Comparing the models with free parameters, we found that the best results are achieved in the model applied to Portugal. However, the results for the same model applied to Norway and to both countries are also acceptable, although the coefficients of relations between constructs differ significantly between the two countries. The degree of explanation of the dependent variables in the model is higher in the case of Norway, and, despite explanatory factors differing slightly in weight in the two cases, they are very similar for both countries.

Discussion

All factors considered in the study explain GM, although with different influences, strongly evinced by global orientation ($\beta=0.86$), international experience ($\beta=0.74$), firm perspectives on the global market ($\beta=0.60$) and firm characteristics ($\beta=0.59$).

This study verifies the importance of individual GM identified by cognition, knowledge, and behavioral factors, and corporate GM identified by firm perspectives and firm characteristics. The GM of Norwegian companies differs by being more

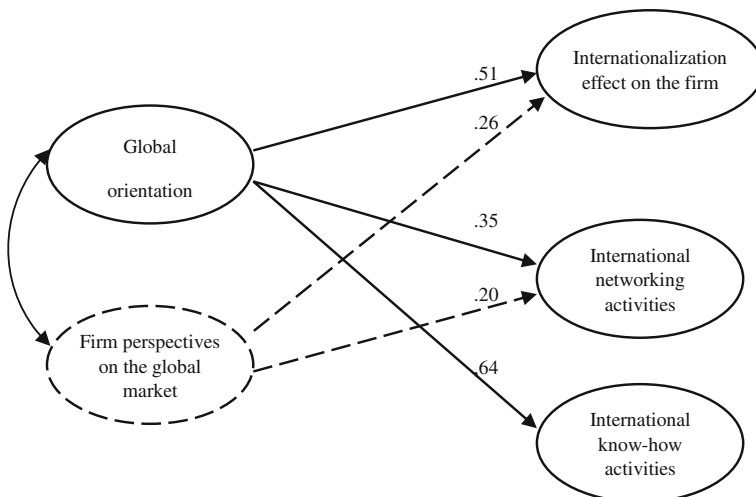


Fig. 1 Synthesis of the structural SEM model (Portugal)

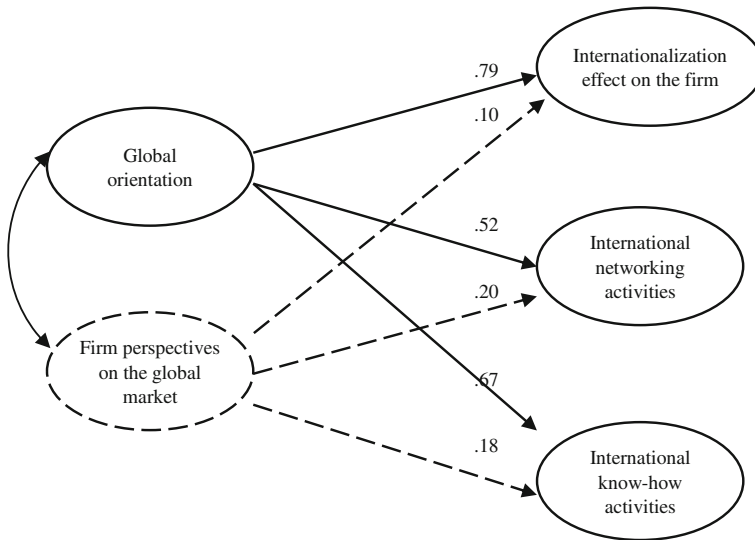


Fig. 2 Synthesis of the structural SEM model (Norway)

influenced by behavior (global orientation, $\beta=0.92$), knowledge (international experience, $\beta=0.79$), firm perspectives on the global market ($\beta=0.62$) and firm characteristics ($\beta=0.61$). On the other hand, Portuguese companies are more influenced by knowledge (technical expertise, $\beta=0.65$), and cognitive factors (decision style, $\beta=0.56$, and childhood, $\beta=0.39$). Norwegian firms belong to a highly developed economy so their GM relies heavily on conditions such as global orientation of the entrepreneur and the company's collective attitude. This is not the case for Portuguese companies, which belong to a weak economy whose GM is very focused on cognitive conditions and expertise of the entrepreneur. These results confirm the first hypothesis (H1) and are supported by other findings in the literature, although this previous research is based on studies of large companies (Sambharya 1996; Kets de Vries and Florent-Treacy 2002). Also worthy of note is the fact that there are relevant differences between Portugal and Norway in terms of decision style and knowledge of languages (very important in Portugal but not in Norway) and that international experience during childhood is irrelevant in Norway.

The effect of GM on internationalization behavior is stronger among Norwegian companies ($\beta=0.85$, $\beta=0.69$, $\beta=0.88$) compared with Portuguese companies ($\beta=0.70$, $\beta=0.55$, $\beta=0.65$). The internationalization effect on the firm ($\beta=0.88$) is more strongly influenced by GM, which reflects the importance of global orientation action of the entrepreneur ($\beta=0.92$) and the company's collective attitude ($\beta=0.62$) towards the internationalization effort. These results confirm the second, third and fourth hypotheses (H2, H3 and H4, respectively). Furthermore, the evaluation of the effect of global orientation of the entrepreneur on internationalization behavior is more prominent in Norwegian companies in terms of the internationalization effect on the firm ($\beta=0.79$), international networking activities ($\beta=0.52$) and international know-how activities ($\beta=0.67$). The internationalization effect on the firm is the factor that creates the biggest distinction between Norwegian and Portuguese companies,

whereas international know-how activities is the most similar factor between the two countries ($\beta=0.67$ vs. $\beta=0.64$). The overall assessment of the effect of global orientation (firm perspectives) on the behavior of internationalization showed weak results ($\beta=0.17$, $\beta=0.07$, $\beta=0.13$). However, there is a greater tendency of Portuguese companies towards the internationalization effect on the firm ($\beta=0.26$) and a lack of influence on international know-how activities ($\beta=0.00$). The fifth and sixth hypotheses (H5 and H6, respectively) are confirmed by these results, in agreement with various authors (Begley and Boyd 2003; Govindarajan and Gupta 2001; Maznevski and Lane 2004), who allow for the existence of an individual global mindset and a corporate mindset. However, the results discussed contradict those of other authors, for whom global mindset is focused on the individual and thus depends on his or her state of mind (Kobrin 1994; Murtha et al. 1998).

Conclusions and contributions

We conclude that the factors of cognition, knowledge, and behavior that characterize the individual and the factors associated with the collective attitude of the companies explain global mindset differently depending on cultural context. The knowledge of the world associated with global orientation and international experience provide the entrepreneur with more appropriate tools to develop entrepreneurial behavior. This combines the complexity and diversity of the global market, reflected in his or her global mindset. In a context of greater economic development, the behavior of entrepreneurs and the collective attitude of the company have the greatest influence on the internationalization behavior of small firms operating in the international market. In contrast, the context of less-developed small firms is characterized by the weight of influence of the entrepreneur's cognition and a smaller effect on the internationalization behavior of these companies.

In more developed economies, both the global orientation and firm perspectives of small firms exert an influence on international know-how activities. However, for companies in less-developed contexts, the global orientation of the entrepreneur is the only influence on international know-how activities.

This research contributes to the literature to a significant extent because it confirms the different roles of cognition, behavior and knowledge in the entrepreneur's global mindset and the importance of a corporate global mindset. Our study also focuses on small firms, which represents an important contribution to the subject-specific literature. Another relevant contribution of the present research is that it highlights the influence of context on global mindset; a factor that had not previously been studied.

Future research

Future research should branch out to other contexts so as to study the global mindset of the entrepreneur and the corporate global mindset, considering the comparison between large and small companies. It is important to analyze the

influence of the global mindset on the performance of firms operating in international markets. Other research should compare companies from the same context endowed with global mindset versus companies that operate only in the domestic market and born global firms.

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