

A PRELIMINARY FRAMEWORK LINKING THE MANAGERIAL GLOBAL MINDSET AND THE DEGREE OF INTERNATIONALIZATION OF ROMANIAN SMES

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ABSTRACT

The present paper aims to explore the relationship among two main constructs, namely the degree of internationalization and the managerial global mindset, a three-dimension factor covering the Global Social Capital, Global Intellectual Capital and Global Psychological Capital. The analysis is performed in the contextual framework of CEE countries, namely Romania, starting from the premise that this region has explicit idiosyncracies and is worth investigating. In its current form, the empirical undertaking is intended as a preliminary study, with an exploratory nature, the questionnaire-based survey relying on a small sample of 30 managers of small and medium-sized enterprises (SMEs) in Romania. The findings point to the fact that only one out of the three dimensions of the managerial global mindset, that is, the Global Psychological Capital, has a significant influence on the degree of internationalization of the studied SMEs.

KEYWORDS: *enterprises (SMEs), internationalization, managerial global mindset, small and medium-sized.*

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1. INTRODUCTION

The current research streams in international management and international business (IB) encourage the elaboration on the contextual factors which may engender fresh perspectives and entail new theories of firm internationalization (Jaklič et al., 2018, 2020; Ipsmiller & Dikova, 2021; Andrei et al., 2021). The advancement of particular studies is meant to extend the knowledge in the field and to avail novel frameworks of debate (Vătămănescu, Alexandru, & Gorgos, 2014; Vătămănescu et al., 2022; Koveshnikov et al., 2022). Against this backdrop, focusing on the Central and Eastern European (CEE) countries, Rašković, Dikova and McDougall-Covin (2020) propose their approach as "learning laboratories" with a view to understand the rationale of internationalization in post-communist countries. This would claim for context-sensitive researchers, who are cognizant of identity, history, socio-cultural variations, institutional dynamics, and organizational processes and who could put together the inherent elements of a pertinent contextual analysis (Rašković et al., 2020; Vătămănescu et al., 2022; Koveshnikov et al., 2022).

The imperative to explore the particularities of the internationalization process, especially in the post-communist region, is supported by the fact that the research in the CEE area unraveled distinctive characteristics, thus establishing the basis for the expansion of the conceptual and empirical works meant to capture the context richness. Consistent with Jaklič et al. (2020) and Ipsmiller and Dikova (2021), the existing investigations revolve around some specific countries

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whereas the shortage of comparative analyses limits potential generalizations of single-country findings (Jormanainen & Koveshnikov, 2012).

Starting from these premises, the current paper sets out to explore new factors and their interconnections as displayed by the internationalization processes apposite for CEE firms, especially Romanian small and medium-sized enterprises (SMEs). This is an exploratory study meant to test the relationships among several constructs – i.e., the degree of SMEs internationalization and the three-dimension managerial global mindset, as pivotal factors which account for the way Romanian managers internationalize their businesses. The empirical study is based on a small sample (N=30), but the actual aim of the analysis is to pre-test a conceptual and structural model as a prerequisite for further evaluations. The contribution of this introductory scrutiny is to advance novel relationships among specific variables which have not been tested as such before in the context of CEE countries in general.

2. CONCEPTUAL AND CONTEXTUAL FRAMEWORKS

CEE firms and their idiosyncrasies of internationalization have captured a consistent interest from professionals and academics. In this so-called 'eclectic' phase (2010 – 2016), great emphasis was laid on CEE SMEs internationalization process (Jaklič et al., 2020). Progressively, a propelling context to investigate theories and models of internationalization was established. Within this framework, prospective CEE studies and expected to contribute to the extension of internationalization exploration, delving into new perspectives on the interconnections between the entrance mode, cultural distance, managerial global mindset, etc. (Ipsmiller & Dikova, 2021; Vătămănescu, Alexandru, & Gorgos, 2014; Vătămănescu et al., 2019, 2020a, 2020b).

Linked to the competitiveness of firms in the foreign marketplaces, Castellano and Ivanova (2017), Vătămănescu (2020) and Ipsmiller and Dikova (2021) look into the way CEE companies could surpass their origin-driven liabilities and acquire accountability in the international markets. At this level, the geographical idiosyncrasies of the internationalization process and the related contextual elements are essential considerations when evaluating CEE firms' international performance. For example, placing the discussion into a geographical and cultural setting, closeness has long been thought to be beneficial for the success of a CEE firm's internationalization effort (Musteen et al., 2010; Sass, 2012). It is quite likely that this approach emerges from CEE firms' resource restrains to span into far-away realms, given the limited knowledge on consumer tastes, legislations, culture, etc. Many firms from CEE are dared to overcome legitimacy and economic challenges in their effort to conduct efficient internationalization (Ipsmiller & Dikova, 2021).

Further, since 2005, the institution-based approach is advancing towards a consolidative paradigm aimed at explaining why and how these contextual differences matter (Meyer & Peng, 2016). A special emphasis is laid on how informal institutions like values, norms, attitudes, approaches influence the process of internationalization of CEE enterprises (Jormanainen & Koveshnikov, 2012; Meyer & Peng, 2016; Andrei et al., 2021). Here, a quite interesting transformation took place regarding the academic focus in that it moved from the macro phenomena towards the managerial traits under organizational idiosyncrasies (Meyer & Peng, 2016). The managerial and entrepreneurial peculiarities in the post-communist region provided a vast array of insights into how managers approach various aspects of internationalization (Rašković et al., 2020).

Novel perspectives and models regarding the role of individual specificity, organizational processes and structures in the equation of internationalization are expected to emerge (Manolova et al., 2010; Musteen et al., 2010; Păduraru et al., 2016; Vătămănescu et al., 2016, 2017, 2022a, 2022b). A growing number of articles dedicated to the study of SMEs internationalization point to the importance of mindsets, strategies, networks, and location, concluding that the adequate exploitation of such factors may consolidate the degree of internationalization of CEE firms (Jormanainen & Koveshnikov, 2012; Vătămănescu et al., 2022b).

3. TOWARDS A PRELIMINARY RESEARCH DESIGN

Based on the general considerations mentioned in the former section, the paper intends to explore a model linking the global mindset of the SMEs managers from CEE, more specifically, Romania and the degree of internationalization. In this sense, the envisaged constructs are as follows.

The first construct is the Global mindset. There are three dimensions of the managerial global mindset: Global Intellectual Capital, Global Psychological Capital, and Global Social Capital. All items are measured on a scale from 1 to 5 (1 – strongly disagree, 5 – strongly agree). The second construct of the model refers to the Degree of internationalization. The structure of this dimension is inspired by Ruzzier et al. (2007). The Degree of internationalization (DEGREE OF INT in the model) measures: the level of production/ services destined for import/ export (scale: better, the same, inferior, much worse) (EXP), import coverage ratio (scale: under 25%, 25-50%, 51-75%, over 75%) (IMCV), export coverage ratio (scale: under 25%, 25-50%, 51-75%, over 75%) (EXCV), attending internationalization activities (fairs - PREXT1, exhibitions – PREXT2, diplomatic missions – PREXT3, collaborating with Chamber of commerce and other networks – PREXT4, online marketing campaigns – PREXT5, other – PREXT6). The items were advanced by the authors of Carta Albă a IMM-urilor (Nicolescu, 2020).

The operationalization of the constructs supports the formulation of the research objectives, namely: O1. To investigate the relation between Global Social Capital and the Degree of Internationalization from the perspective of Romanian SMEs; O2: To investigate the relation between Global Intellectual Capital and the Degree of Internationalization from the perspective of Romanian SMEs; O3. To investigate the relation between Global Psychological Capital and the Degree of Internationalization from the perspective of Romanian SMEs.

The research hypotheses stemming from the aforementioned objectives are:

H1. Global Social Capital has a positive influence on the Degree of Internationalization.

H2. Global Intellectual Capital has a positive influence on the Degree of Internationalization.

H3. Global Psychological Capital has a negative influence on the Degree of Internationalization.

4. RESEARCH METHODOLOGY

The empirical investigation (i.e., survey) relied on data collected from March to May 2022, via an online questionnaire. All respondents were invited used a snowball technique. The final analyzed sample was composed of 30 managers of SMEs operating in Romania. Their socio-demographic details can be seen in the table below (Table 1).

Table 1. Characteristics of the participant SMEs (N = 30)

Variable	Participants
Sector of activity	
IT solutions	4
Steel products commerce	4
Food & beverage production	4
Other (dentistry, tourism, fish farming, n/a)	18
Company size	
between 0 and 9 employees	9
Between 10 and 50 employees	10
between 51–100 employees	8
between 101–250 employees	3
Turnover in 2021	
0-1.99 mil Euro	14
2-9.99 mil Euro	10
10-50 mil Euro	4
over 50 mil Euro	2

SmartPLS (Ringle, Wende, & Becker, 2015) was used to analyze the data. The partial least squares structural equation modeling (PLS-SEM) methodology (Sarstedt, Ringle, & Hair, 2017) was employed to test the research hypotheses. We followed the steps for exploratory PLS-SEM analysis as recommended by Hair, Hult, Ringle and Sarsted (2016), and Hensler and Hubona (2016). First, we tested the measurement model and then we assessed the structural model via bootstrapping procedure.

The internal consistency of each construct was assessed. A number of items that were used in the survey were consequently eliminated, as the Cronbach's Alpha test showed they were below the limit of 0.6. The remaining items, presented in Table 2, were retained. The reliability of the constructs is, as shown in Table 2, good (over 0.8) or excellent (over 0.9). The Degree of Internationalization, is a formative construct while the Global Intellectual Capital, Global Psychological Capital, and Global Social Capital are reflective constructs.

Table 2. Measurement model: reliability and convergent validity

Constructs and Items	Item weights / loadings	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
DEGREE INT: Degree of Internationalization					
EXP: The level of production/ services destined for export	0.208	-	-	-	-
IMCV: Our import coverage ratio was last year...	0.437				
EXCV: Our export coverage ratio was last year...	0.723				
G INTEL CAP: Global Intellectual Capital					
GM1: I know how things work in this industry, on a global scale.	0.821				
GM2: I am able to create good marketing strategies that make our company competitive on the global market.	0.795				
GM3: I know how to transact business while doing business internationally.	0.838	0.874	0.878	0.905	0.617
GM4: I know how to assess risks while doing business internationally.	0.819				
GM7: I have strong analytical skills that help me solve complex problems.	0.792				
GM11: I have knowledge of geography, history, and important people from several countries.	0.626				
G PSY CAP: Global Psychological Capital					
GM16: I enjoyed living in another country or would love to.	0.759				
GM19: I like taking risks.	0.907	0.89	0.907	0.924	0.754
GM20: I like testing my own abilities.	0.925				
GM21: I like dealing with unpredictable situations.	0.873				
G SOCIAL CAP: Global Social Capital					
GM26: I tend to work well with people from other parts of the world.	0.773				
GM27: I understand nonverbal expressions of people from other cultures.	0.870				
GM28: I can emotionally connect to people from other cultures.	0.727	0.852	0.867	0.894	0.628
GM29: I can mobilize people from other parts of the world to work together.	0.758				
GM31: I have strong networking ties with people from other cultures and with influential people.	0.826				

Source: The Authors

The model fulfills the criteria of discriminant validity. Chin's (1998) recommendation of no cross-loadings between the items of the constructs is respected, Fornell and Larcker's criterion (Fornell & Larcker, 1981) applies, Henseler et al.'s (2015) indication of heterotrait-monotrait ratio of

correlations lower than 0.85 (HTMT < 0.85) is fulfilled, and the HTMT values of model's constructs range from 0.483 to 0.723 (Table 3).

Table 3. Discriminant validity (heterotrait/ monotrait ratio)

Variables	G INTEL CAP	G PSY CAP	G SOCIAL CAP
G INTEL CAP			
G PSY CAP	0.483		
G SOCIAL CAP	0.534	0.723	

Source: The Authors

The variance inflation factor (VIF) is lower than the 3.3 limit (Diamantopoulos & Sigauw, 2006). This indicates the absence of collinearity among model's constructs (VIF values are below or equal to 1.875).

5.RESULTS AND DISCUSSION

After the evaluation of the measurement model, a bootstrapping procedure with 5000 re-samples was used to assess the structural model. This procedure is indicated by the extant literature (Hair, Hult, Ringle, & Sarstedt, 2016, Sarstedt, Ringle, & Hair, 2017). The structural model analysis shows that the model explains 42.2% of the variance in the degree of internationalization of SMEs from Romania (DEGREE INT: R square = 0.422). The outputs of the structural model analysis (the resulted variances, the path coefficients) were reported in detail in Table 4.

Table 4. Effects

Effects	Original Sample	Mean	St Dev	T	p	2.50% C.I.	97.50% C.I.	Hypothesis
G SOCIAL CAP -> DEGREE INT	-0.171	-0.169	0.13	1.31	0.19	-0.41	0.107	H1 not supported
G INTEL CAP -> DEGREE INT	0.065	0.058	0.164	0.4	0.69	-0.263	0.373	H2 not supported
G PSY CAP -> DEGREE INT	-0.525	-0.5	0.114	4.629	0	-0.706	-0.26	H3 supported

Source: Authors' computations

As depicted above, only one of the three hypotheses is supported in the context of the current research. The Global Psychological Capital of the manager influences the Degree of Internationalization of the SME, in a negative way (G PSY CAP -> DEGREE INT: $\beta = 0.525$, $t = 4.629$, $p = 0$; H3 is accepted). As this relationship was not tested as such beforehand, it is difficult to relate it to prior developments on the topic.

However, taking into account that the majority of the remaining items (in the model) that measure the Global Psychological Capital refer to the potential risk-taking appetite of the manager (item GM19) and the dare-devilish inclination of managers (items GM20, GM21), these results are not surprising. They show that the higher the risk-taking attitude of the manager, the lower the degree of internationalization. This result points to the fact that, at least for the analysed sample, international expansion of SMEs rhymes more with thoughtful preparation and maturity rather than with the desire to take risks, or deal with the unpredictable.

6. PRELIMINARY CONCLUSIONS

The preliminary findings prove that the model has led to partial significant results even though the extant literature pointed to their relevance in various settings. This may be due to the very small sample we operated with, to the current geopolitical situation involving neighboring countries, to other fears specific to the post-pandemic times, to political turbulence and social unrest, or to the current unpredictability of the markets due to expectation of energy costs increase and shortage of some raw materials.

The macro shifts impact the world – from illiberalism to energy transition, from population migration to increasing daily life costs, from geopolitical power struggles to the emotion of fear – as well as their intensity and magnitude. The theoretical instruments which were used to create the survey were developed in different countries, and during times which have little in common with the current global landscape. Similar global phenomena have not been witnessed since the first part of the 20th century, or perhaps since the third Industrial Revolution, over 100 years ago.

Nevertheless, the current undertaking was meant to advance an introductory framework for assessing the relationship between the global mindset of the SMEs managers in Romania and the degree of internationalization as a first step towards developing a more comprehensive model comprising additional factors such as internationalization intensity, performance, employees' intellectual capital, etc. In its present form, the empirical endeavor is limited by the size of the sample, the multisectoral nature of the selected SMEs, by the convenience sampling and by focusing on four main conceptual dimensions. In this respect, further theoretical arguments and empirical inputs are needed to elaborate on a consistent and more robust scrutiny.

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