

RESEARCH ARTICLE

# Global mindset and the performance of Chinese firms

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**Abstract:** More and more Chinese firms are pursuing internationalization strategies. However, most of them have not managed to succeed in the global markets. One possible reason for such failure is their lack of a proper global mindset. This study investigates the following three issues: first, how global minded Chinese firms are; second, what the critical drivers for their global mindedness are; third, what strategic orientation these Chinese firms adopt when they pursue internationalization strategies and how their global mindedness is related to their performance. Results indicate that first, the current level of global mindedness of most Chinese firms are fairly low. Second, experience with foreign culture, leadership vision and firm capacity are important determinants of a firm's global mindedness. Third, global minded Chinese firms tend to pursue aggressive and risky internationalization strategies and they generally perform better than those with low level of global mindedness.

**Keywords:** global mindset, internationalization strategy, emerging markets, Chinese firms

## 1 Introduction

Global mindset or mindedness is a highly complex cognitive structure and ability<sup>[1]</sup> and can be defined as a way of approaching the world - a tendency to scan the environment from a global perspective<sup>[2]</sup>. It is the kind of attribute that would enhance exceptional functioning and performance of enterprises in a global environment. It could be equated to a behavioral attribute, like a point of view, standpoint, or philosophy<sup>[3]</sup>, and is therefore, a very important mental attitude for a firm to succeed in an increasingly inter-connected global business world<sup>[4-6]</sup>.

Research on global mindedness has been a growing field. Previous studies in this area primarily examines three issues: its impact and importance, dimensions or components, and its antecedents and development. One group of papers examines the importance of global mindedness in driving firms' strategic orientation<sup>[7]</sup>, trust in leader and organizational commitment<sup>[6]</sup>, and success in foreign markets<sup>[8-11]</sup>. For instance, Gupta and Govindarajan<sup>[9]</sup> believe creating global mindedness is one of the central ingredients required for a company in building its

vital intelligence needed for global success. Gaffney *et al.*<sup>[7]</sup> indicates the critical role played by global mindedness in determining a firm's strategic orientation such as accelerated internationalization. Bowen and Inkpen<sup>[4]</sup> show that global mindset is a key success factor in leading change in an international context.

A second group examines the dimensions or components of global mindedness<sup>[1,6,11-15]</sup>. For example, Beechler and Javidan<sup>[12]</sup>, along with Javidan and Bowen<sup>[14]</sup> and Bowen and Inkpen<sup>[14]</sup>, suggest that global mindset consists of three core capitals, *e.g.*, intellectual, psychological and social while Story and Barbuto<sup>[6]</sup> emphasize cultural intelligence and global business orientation as its components. Kedia and Mukherji<sup>[15]</sup> argue that two central dimensions of global mindedness is appropriate skills and knowledge.

Finally, a third group examines the antecedents or drivers and the development of global mindset<sup>[3,9,12,14,16,17]</sup>. Factors such as formal education<sup>[9,14]</sup>, cross border teams and projects<sup>[9,12,15]</sup>, foreign experience and expatriation<sup>[12,14-16]</sup>, coaching<sup>[14,15]</sup> and a few others are identified as important in cultivating global mindedness in an organization. Paul<sup>[17]</sup> also emphasizes the role played by factors such as composition of top management, vision, processes and employee selection in developing global mindedness in companies.

However, the main limitation with the existing literature is that there is no empirically validated framework that cohesively connects the antecedents of global mindedness to its components and its consequences, *e.g.*, firm strategies and firm performance. Moreover, empirical

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work that exists is confined to narrow aspects of global mindedness and focuses primarily on specific industries from the developed world. For example, Arora *et al.*<sup>[3]</sup> determine whether managers in the US textile and apparel industries can be defined as “globally minded” and find that the US managers score higher on conceptualization than on contextualization of global mindedness. Moreover, there is very limited empirical investigation of global mindedness on firms from emerging markets, in particular from China. Given the fact that Chinese firms are becoming ever more important in the global value chain, and leading firms such as Huawei, Alibaba, Tencent, Lenovo and alike are rising rapidly as the potential leaders in their respective industries, this is a substantial research gap.

In this study, our purpose is to fill the above-mentioned research gap. By doing so, we attempt to advance the further development of the theories of internationalization and research on global mindedness. More specifically, we address the following questions: first, how can we develop a framework that connects the drivers and components of global mindedness to its consequences? What can such a framework tell us about the level and consequences of global mindedness of emerging market multinationals, such as those from China? Moreover, what is the current level of global mindedness of Chinese firms in general? We do so by first drawing up a framework from existing literature and then testing the framework on multinational firms of Chinese origin.

Relative to the literature on global mindedness and firm performance, we break new ground on several fronts. To the best of our knowledge, ours is the first study empirically validate the link between the drivers of global mindedness and its consequences. Ours is also the first study that examines this issue in the context of new-born multinationals from emerging economies, in particular China. Furthermore, our study provides the first quantitative audit on the current level of global mindedness of Chinese firms and develops insights on how Chinese firms should develop global mindedness.

The rest of the paper is organized as follows. The next section develops our theoretical framework and hypotheses. This is followed by an empirical test of our framework. The last section discusses our findings, draws implications and provides directions for future research.

## 2 Antecedents, components and consequences of global mindedness

Drawing upon extant literature, this section elaborates on the theoretical basis for this study and draws hypotheses to be empirically tested. Figure 1 lays out a conceptual

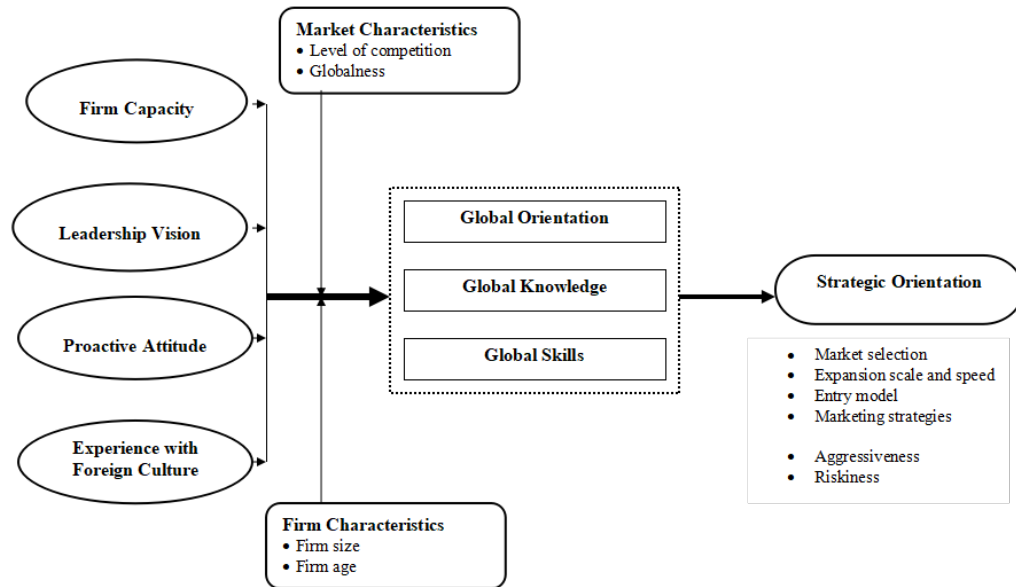
framework for the role of global mindedness in the strategic orientation of a firm. Figure 1 shows that global mindedness is composed of three dimensions: global orientation, global knowledge and global skills. The antecedents of global mindedness are firm capacity, leadership vision, proactive attitude, and experience with foreign cultures. These factors are moderated by market characteristics and firm characteristics. Global mindedness affects strategic orientation whose suitability in the global markets is finally manifested in a firm’s performance. As the context of our study is China, we develop our hypotheses from this perspective.

### 2.1 Theoretical rationale

The two dominant theories for firm internationalization are the eclectic paradigm advanced in the 1970 s<sup>[18]</sup>, which explains the motives and patterns of international business activity based on the OLI framework, *e.g.*, ownership, location and internalization advantages, and the Uppsala model<sup>[19]</sup>, which demonstrates the incremental and gradual process of firm internationalization. However, firms from emerging markets in particular from China have pursued accelerated internationalization when entering the overseas markets<sup>[20]</sup>. Neither eclectic paradigm nor the Uppsala model appears to be adequate in providing compelling explanations for this new form of internationalization which is much more rapid than the ones pursued by MNEs from developed countries<sup>[7, 21, 22]</sup>. Therefore, examining accelerated internationalization by Chinese firms can shed further light on important theoretical issues related to firm internationalization and hence significantly enrich the theoretical development in this area. Research also indicates that global mindedness of firms from emerging markets is one of the key drivers for their accelerated internationalization<sup>[7]</sup>. Thorough understanding of the concept of global mindedness holds the key to better understand this important phenomenon in international business research. That is the aim we set out to achieve in this paper.

### 2.2 Components of the global mindedness

Research in international business defines global mindedness in a number of ways. For instance, it is in a narrow sense represents a mental attitude that sees the world as one unit by using a standardized approach to products and markets<sup>[23]</sup>. It is further defined as the openness and ability to scan the world from a broad perspective and realize a firms interdependence on the global economy<sup>[7, 15]</sup>, and one that combines an openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity<sup>[9]</sup>. It is also defined as a complex cognitive structure charac-



**Figure 1** Conceptual framework for Chinese firms' global mindedness and their strategic orientation

terized by an opened to cultural and strategic realities and the cognitive ability to mediate and integrate across this complexity<sup>[1]</sup>. Rhinesmith<sup>[24]</sup> sees it as a certain curiosity about the world and a willingness to deal with broad global and foreign issues. Beechler and Javidan<sup>[12]</sup> define it as a mental structure incorporating knowledge, cognitive ability and psychological attributes dealing with complex global environments.

As seen from the discussion, it is clear that previous studies generally agree that global mindedness is a multi-dimensional construct but they fail to reach a consensus on its definition and components. However, the consistent theme emerging from all these definitions is that global mindset has both an *orientation* and an *ability* or *capability* component. In other words, it is first a mental orientation which sees the world as one interconnected marketplace and prompts the willingness to actively explore it, e.g., openness<sup>[9,15]</sup>, cultural perspective<sup>[1]</sup>, conceptualization<sup>[23]</sup>, and global business orientation<sup>[6]</sup>; and second an ability to manage such diverse complexity and markets, e.g., ability to recognize complex interconnections<sup>[15]</sup>, capability of integration, responsiveness and coordination<sup>[25]</sup>, strategic perspective<sup>[1]</sup> and contextualization<sup>[23]</sup>. Furthermore, the *ability* or *capability* component can be further divided into *knowledge* and *skills*. The intellectual capital in Beechler and Javidan<sup>[12]</sup> is largely about knowledge<sup>[14]</sup>, while psychological and social capitals primarily center on *skills*. That is to say, our conceptualization of global mindset is in spirit similar to that of Beechler and Javidan's<sup>[12]</sup> three-capital framework. Hence, in our study,

global mindset consequently contains three elements, *i.e.*, global orientation, global knowledge and global skills. In sum, our conceptualization undertake the most comprehensive approach by integrating that of Nummela *et al.*<sup>[11]</sup>, which equates global mindedness with global orientation and that of Kedia and Mukherji<sup>[15]</sup>, which separates the *orientation* from the *ability*. At the same time, it echoes that of Levy *et al.*<sup>[1]</sup> and Beechler and Javidan<sup>[12]</sup> but adopt a more intuitive and simpler structure and logic.

### 2.3 Drivers for global mindedness

Research indicates that the view of top management is an important driver for global mindedness<sup>[17]</sup>, and that knowledge and skills<sup>[15]</sup> are sufficient conditions that enhance and sustain global mindedness. Researchers also argue that management experience and market characteristics are key determinants of a firm's global mindedness<sup>[11]</sup>. Based on the literature and in-depth interviews with senior managers from selected Chinese firms, we contend that four factors are critical in driving the global mindedness of Chinese firms, *i.e.*, 1) firm capacity; 2) leadership vision; 3) proactive attitude; and 4) experience with foreign culture. We next elaborate on the rationale behind our argument.

#### 2.3.1 Firm capacity

The resource-based view of firms emphasizes a firm's resource as the key determinant for its competitive advantage<sup>[26]</sup>. Firms that are more resourceful or capable are more likely to explore the global market compared to less capable ones. Therefore, firm capacity is believed to be

critical in developing its global mindedness<sup>[27]</sup>. In particular, research suggests that firms need to develop the capability of paradox management which is directly related to the cultivation of global mindedness<sup>[24]</sup>. Bartlett and Ghosal<sup>[28]</sup> echo this thought and suggest that firms need to establish what they called “transnational mentality” through the development of organizational capabilities.

In China, firms that are more capable or resourceful are the ones that dominate the domestic markets and have the ambition to go abroad to further exploit their competitive advantage. In fact, only those firms that have adequate firm capacity to manage their business possess the resources to venture out of the domestic market. It is also these firms that feel the most acute need to go global in order to acquire resources and capabilities to compete on a global level<sup>[7]</sup>. For Chinese firms that are much less competitive or resourceful, winning in the domestic market is a major challenge, given that most Chinese market sectors are overcrowded with major international companies. It is impossible for them even to contemplate the possibility of expanding into international markets. Therefore, we hypothesize the following:

**Hypothesis 1:** A Chinese firm’s capacity is positively related to its global mindedness.

### 2.3.2 Leadership vision

Leadership vision affects an organization’s culture, and determines the quality of strategy making<sup>[27, 29, 30]</sup>. Much research has shown that top managers play a pivotal role in affecting the internationalization of their firms, and particularly in the speed of entering international markets<sup>[31–33]</sup>. Paul<sup>[17]</sup> reports that leadership vision is the key determinant of a company’s strategy and the driving force behind its global mindedness. The reason why global mindedness is often related to global leaders is that they set the company’s strategic direction and influence the globalization of their businesses<sup>[34–36]</sup>. As a matter of fact, leadership’s global perspective or vision is often viewed as an essential quality for global leaders<sup>[37, 38]</sup>.

For Chinese firms, leadership vision plays even a bigger role in driving their global mindedness for the following reasons: first, as discussed before, most Chinese firms at this stage of their development are still predominantly focusing on the domestic market. The large majority of their employees, if not all, have never experienced the outside world in a meaningful way. Unlike countries in the west where ordinary citizens have frequent interactions with the global world around them, China does not provide a fertile ground for its citizens to develop global awareness or knowledge. Therefore, unless the leader of a firm is strongly committed to international markets, the natural mindset of these firms is unsurprisingly, local.

Second, firms in China, despite two decades’ of in-

teractions with western firms and learning about market capitalism, still lack a formal western type of corporate governance structure. Many leading firms are not led by a management team per se but by a charismatic leader, who makes most of the critical decisions regarding a firm’s future direction. This unique organizational culture is an unfortunate manifestation of China’s long monarchic tradition which in many ways is still deeply intertwined with the cotemporary social and business institutions of the Chinese society. Hence, the leadership vision in Chinese firms plays a dominant role in determining their global mindedness. Therefore, we hypothesize the following:

**Hypothesis 2:** A Chinese firm’s leadership vision is positively related to its global mindedness.

### 2.3.3 Proactive attitude

Curiosity about the world is believed to be an important factor in cultivating global mindedness<sup>[9]</sup>. Such curiosity is the natural outcome of a proactive attitude, because people with global mindsets continuously seek to be open to others by rethinking boundaries and changing their directions and behavior<sup>[24]</sup>. Proactiveness is also considered as a central component of global mindedness<sup>[11, 33]</sup>. A proactive attitude towards exploring global markets also indicates a firm’s global ambition and is an important driving force behind the global mindedness of a firm<sup>[27]</sup>.

Going abroad is a risky endeavour for all firms, especially for Chinese firms whose global experience and knowledge is rather thin or non-existent. Moreover, in the context of Chinese national culture, *e.g.*, high risk avoidance<sup>[39]</sup>, most of Chinese firms are by nature risk averse, even in the domestic markets. A number of leading Chinese firms have tried to expand into foreign markets, noticeably into the US and European markets in the early 90 s, but none of them managed to succeed. Those well-publicized, high-profile failures sent a stern warning to other Chinese firms about the prospects of going international. Chinese firms are fully aware that their knowledge of foreign markets is limited and that their competitiveness largely resides on their cost advantage. Therefore, for most firms, going abroad is a dream lies that in the far distant future. Only firms actively seeking global opportunities and have a genuine proactive attitude towards their growth and future development embark into global markets. Therefore, we hypothesize the following:

**Hypothesis 3:** A Chinese firm’s proactive attitude is positively related to its global mindedness.

### 2.3.4 Experience with foreign culture

Exposure to diversity and novelty is critical in developing global mindedness<sup>[9, 12, 16]</sup>. Research shows that management’s international experience is an important driver of global mindedness<sup>[8, 10, 11, 14]</sup>. Foreign travel, transfer to foreign locations and training are effective in cultivating

the global mindedness of management personnel, and therefore lay a solid foundation for the establishment of global mindedness at the firm level<sup>[15]</sup>. Experience with foreign cultures enables a firm to gain confidence and knowledge about consumer behaviour in foreign markets. International travel experience broadens the mindset and changes peoples' attitudes toward globalization<sup>[2,36,40]</sup>. Moreover, experience with foreign cultures can also provide firms with vital business networks or connections.

Exposure to foreign cultures is the most direct way for Chinese firms to obtain genuine insights on foreign markets which are vastly different from their own. Familiarity and knowledge about foreign markets provide Chinese firms with marketing insights about overseas opportunities. The more experienced a Chinese firm is with foreign markets or cultures, the more likely it is in considering the possibility of expanding into foreign markets. Therefore, we hypothesize that:

**Hypothesis 4:** A Chinese firm's experience with foreign culture is positively related to its global mindedness.

### 2.3.5 Market characteristics

Industry forces or market characteristics are important drivers of a firm's global mindedness. Research shows that global mindedness increases with stronger global competition and the need to enter new and evolving markets<sup>[17]</sup>. Research also indicates that the globalization of markets and the volatility of domestic markets force firms to develop global mindedness<sup>[17]</sup>.

We focus on two aspects of the domestic market, first, the level of market competition and second, the degree of market internationalization. A higher level of domestic market competition will force Chinese firms to consider the foreign markets as a viable alternative, especially those less developed, therefore less competitive markets. Therefore, we hypothesize the following:

**Hypothesis 5:** The level of competitive intensity of the domestic market is positively related to the global mindedness of a Chinese firm.

Another market characteristic that we contend is related to a firm's global mindedness is the degree of internationalization of a specific industry. For instance, the computer industry is a highly globalized one. Many Chinese firms have been part of this global value chain for decades as OEMs and managers from these firms have routinely interacted with the global business community. Through these business dealings, these firms naturally become more global minded. So, the degree of internationalization of a market directly affects a firm's global mindedness. Therefore, we hypothesize the following:

**Hypothesis 6:** The degree of internationalization of the overall market is positively related to a Chinese firm's global mindedness.

We next examine how global mindedness affects the strategic orientation of Chinese firms in their internationalization efforts. In particular, we investigate the relationship between the level of global mindedness of Chinese firms and their strategic choices, *e.g.*, market selection, scale and scope of expansion, entry mode, and international marketing strategies in entering the foreign markets.

## 2.4 Strategic orientation of Chinese firms in "Going Global"

Research in firms' strategic orientation indicates that firms have three problems to resolve: entrepreneurial, engineering, and administrative and the way they respond to these problems define their strategic orientation<sup>[42-44]</sup>. Firms with different strategic orientation vary in their willingness to take risks and priorities in resource allocation<sup>[44-46]</sup>. Those focusing on exploring the market opportunities, growth and risk taking, *i.e.*, prospectors tend to have an external orientation<sup>[47]</sup>, while firms emphasizing cost control, stability and risk reduction, *i.e.*, defenders are more internally oriented<sup>[48]</sup>. These differences are likely to be reflected in the strategic choices a firm make in entering foreign markets<sup>[43]</sup>.

Those Chinese firms going abroad are prospectors by nature. We further define their strategic orientation in the global context as the configuration of choices firms make to explore global opportunities. It can be considered as the organizational level manifestation of global mindset<sup>[7]</sup>. In this context, a firm's strategic orientation is reflected in the choices it makes in three aspects of internationalization: 1) country selection; 2) expansion scale and speed; and 3) entry mode. The first two dimensions reflect of aggressiveness while the third reflects riskiness of their internationalization strategies.

The first decision firms need to make when going abroad is to decide which countries to enter. Research shows that firms initially choose to enter countries that are geographically and culturally close and then progress to geographically and culturally distant countries. The choice of country thus shows how aggressive a firm is about its global markets as well as the long-term commitment a firm has to international markets. The second decision a firm makes when going international is the scale and speed of expansion. There are three dimensions to consider 1) the speed of entry; 2) the width of entry; and 3) the rate of expansion after entry. The scale and speed of expansion reveal the aggressiveness of a firms' international strategic orientation. We define a firm's international strategic orientation as *aggressive* if it focuses on the fastest, widest entry and the fastest expansion strategy after entry, *e.g.*, accelerated internationalization<sup>[7]</sup>.

We would expect a global minded firm to be aggressive in its internationalization efforts. In the context of China, it is especially so as firms from emerging markets such as China are more likely to pursue a more accelerated and proactive internationalization than their counterparts from the developed countries due to strategic necessity<sup>[7,22,49]</sup>. Given these arguments, we hypothesize that:

**Hypothesis 7:** Global minded Chinese firms are more likely to pursue aggressive internationalization strategies.

A related decision a firm has to make when going international is the mode of entry. The four major entry modes a firm uses are: 1) exports; 2) joint venture and licences; 3) acquisitions and 4) greenfield ventures. The choice of entry mode reveals the risk-reward trade-off a firm is willing to make. Among the four different modes of entry, exports is the least risky and the least rewarding while greenfield ventures are the most risky and most rewarding. Since firms from emerging markets such as China are eager to make up their capability gap through internationalization, they are more likely to undertake risky strategies when going global<sup>[22,49]</sup>. Hence, we expect a global minded firm to be a risk taker in its internationalization effort.

Hence, we hypothesize that:

**Hypothesis 8:** Global minded Chinese firms are more likely to pursue riskier internationalization strategies.

In addition to the above decisions, a firm has to formulate its marketing strategy. There are many aspects of marketing strategy that needs to be worked out such as pursuing a low price and low quality strategy; product adaptation vs. standardization; and short vs. long product line. Successful firms in international markets eschew low quality, adapt products to local needs and expand the product line as they service more market segments. Due to the large number of possible strategic options, we do not develop individual hypothesis for each of these marketing strategy choices.

## 2.5 Performance implication

Are global minded firms also high performers? Will global mindedness yield superior returns to firms? These important questions have largely been under-investigated in existing literature. The limited number of studies that examine these issues adopts a conceptual approach<sup>[1,4]</sup>. Our study attempts to fill the void. Research indicates that global mindedness drives firms' international performance through the various dimensions of strategic orientation<sup>[11,33]</sup>. Global mindedness enables a firm to combine speed with accurate response, which is vital in the ever-changing and highly competitive global marketplace<sup>[9]</sup>. Global mindedness increases organizational effectiveness by making managers more competent and effective<sup>[15]</sup>. In

the context of Chinese firms, we contend that the same positive relationship between global mindedness and firm performance will hold. Therefore, we hypothesize the following:

**Hypothesis 9:** A Chinese firm's global mindedness is positively related to its performance.

Figure 1 portrays our conceptual framework. The next section discusses the empirical analysis conducted to test these hypotheses.

## 3 Empirical analysis

This section discusses our sample, measures and empirical results.

### 3.1 Sample

Our purpose is to study the organizational level global mindedness of Chinese firms in general. So, we include firms of all sizes, *i.e.*, big, medium and small from diverse sectors. To do so, we collected our data from four top executive MBA programs in China. Two of them are at the leading universities based in Shanghai and Nanjing, the two cities which serve as the economic hubs of the most vibrant and well developed economic zone in China - the Yangzi delta. Shanghai, in particular, has been the economic centre and the engine of growth in China for years.

We also chose two major cities in the west, one is Chengdu and the other is Guilin. Both cities are the key economic hubs in their respective regions which represent the most populous area in China. Even though these regions are not as economically advanced as the east coast where Shanghai and Nanjing are located, they have been experiencing rapid growth in recent years and have gradually gained ascendance as the emerging economic centres. As the overall economy in China keeps expanding, more and more business activities have been established or transferred to these western regions for lower cost and more favourable government policies. We think making the sample as inclusive as possible will produce a less biased picture on the global mindedness of Chinese firms as a whole.

The attendants of these executive MBA programs are senior managers who have an intimate knowledge of their own companies and are able to provide an accurate picture of the current state of global mindedness of their respective enterprises. A questionnaire was developed on the basis of previous research and interviews. Questions were pre-tested with a sample of 20 senior managers from various industries in order to ensure that they were clear and captured the desired information. We sent out questionnaires to 401 EMBA students, and received 237

**Table 1** Descriptive statistics and pearson correlations (N = 233)

Variables	Mean	Std D	1	2	3	4	5
Global Mindset	4.05	1.18	1				
Firm Capacity	4.09	1.57	0.53**	1			
Leadership Vision	4.40	1.67	0.55**	0.50**	1		
Proactive Attitude	5.07	1.19	0.32**	0.34**	0.46**	1	
Foreign Experience	3.18	1.47	0.65**	0.47**	0.42**	0.33**	1

Note: \*\*  $p \leq 0.01$

usable responses yielding a response rate of 59%. We have only sampled respondents who have worked for their firms for over 3 years, therefore are knowledgeable about the management directions and orientation of their firms. Of the 237 responses we received, we dropped 5 due to incomplete answers, and ended up with 232 data points in our final analysis.

## 3.2 Measurement

We measure four sets of variables:

1) Dependent variables:

(a) Global mindedness (consisting of three components, e.g., global orientation, global knowledge and global skills).

(b) Strategic orientation (market selection, expansion scale and speed, market entry and marketing strategies) reflecting the aggressiveness and riskiness of a firm's strategic orientation.

(c) Firm performance.

2) Independent variables, *i.e.*, firm capacity, leadership vision, proactive attitude and experience with foreign culture.

3) Market characteristics variables.

4) Control variables such as firm size and age.

All statement items follow 7-point Likert scales and multiple-item measures are used for all key constructs to enhance content coverage (see the questionnaire in the Appendix for details).

## 3.3 Dependent variables

This subsection describes the measurement of the dependent variables in our study.

### 3.3.1 Global mindedness

Global mindedness consists of three components, *i.e.*, global orientation, global knowledge and global skills, each of which is measured by three statements using a 7-point Likert scale.

### 3.3.2 Strategic orientation

Each strategic option is measured by one statement using a 7-point Likert scale. Aggressiveness is measured by combining the three "expansion scale and speed" variables, namely, by combining the three statements measuring the fastest entry, widest entry and fastest expansion after entry. Riskiness is measured in the same way by

combining the three entry mode variables such as joint venture, Greenfield and acquisition using three 7-point Likert scaled statements.

### 3.3.3 Firm performance

We use subjective measures for firm performance and rely on executives' assessment. Three statements are used to measure firm performance.

## 3.4 Independent variables

There are four independent variables examined in this study, *i.e.*, firm capacity, leadership vision, proactive attitude and experience with foreign culture. Again, they are all measured by using a 7-point Likert scale for three statements.

## 3.5 Control variables

Variables related to the market characteristics, such as market competition and globalness of the market are measured in the same way as the variables above. We measure firm size using the total number of employees as commonly practiced, and firm age using the total numbers of years elapsed since a firm was established.

## 3.6 Results

We carry out the empirical analysis in multiple steps. First, we develop a correlation matrix to gain understanding of the relationships among key variables (Table 1). Second, we conduct a reliability test for the key constructs. Third, we perform the factor analysis on key constructs for global mindedness (Table 2). Fourth, we use multivariate regressions to analyze the relationship between our dependent variables and the independent variables (Table 3, Table 4, Table 5 and Table 6).

**Table 2** Factor analysis of items for global mindset

Items	Components		
	Global Knowledge	Global Orientation	Global Skills
Q1	-0.037	<b>0.850</b>	0.218
Q2	0.001	<b>0.836</b>	0.118
Q3	-0.040	<b>0.832</b>	0.171
Q4	<b>0.882</b>	0.064	-0.162
Q5	<b>0.921</b>	-0.045	-0.073
Q6	<b>0.872</b>	-0.106	0.115
Q7	-0.163	0.358	<b>0.660</b>
Q8	-0.163	0.182	<b>0.843</b>
Q9	-0.052	0.080	<b>0.835</b>

**Table 3** Level of global mindedness of Chinese firms and its distribution

Level	Global Mindedness		Global Orientation		Global Knowledge		Global Skills	
	%	Cum %	%	Cum %	%	Cum %	%	Cum %
1-2	4.3	4.3	27.5	27.5	17.2	17.2	7.7	7.7
2-3	15.0	19.3	18.0	45.5	11.6	28.8	20.6	28.3
3-4	32.6	51.9	15.9	61.4	13.3	42.1	24.1	52.4
4-5	28.8	80.7	16.7	78.1	17.1	59.2	19.7	72.1
5-6	12.9	93.6	12.0	90.1	24.1	83.3	16.3	88.4
6-7	6.4	100.0	9.9	100.0	16.7	100.0	11.6	100.0
Min		1.44		1		1		1
Max		7		7		7		7
Mean		4.05		3.61		4.37		4.16

Table 1 summarizes the correlations among the explanatory variables. None of the correlations exceeds 0.5. Moreover, all of our multiple-item constructs had Cronbach alphas of 0.75 or higher, indicating strong internal consistency. As in Subramaniam and Venkatraman<sup>[50]</sup>, we pair each construct and factor analyse all the key constructs. The indicators of each construct loads only onto their own construct for all the pairs of constructs. Therefore, convergent and discriminant validity requirements are satisfied.

### 3.6.1 Drivers of global mindedness

Table 2 shows the results of our factor analysis. It shows that our measures significantly load on to the components of global mindedness. We use multivariate nested regressions to test our main hypotheses. Table 3 presents the results for the multiple regression analyses testing the relationship between the four drivers for global mindedness and the construct itself. The high adjusted  $R^2$  (0.53) shows a satisfactory fit of our model given the cross-sectional nature of the data. Firm capacity, leadership vision and foreign experience are consistently significant with the right sign across all models. Moreover, foreign experience and leadership vision have a much bigger effect size than firm capacity, demonstrating that these two factors play a bigger role in driving a firm's global mindedness. However, the variable proactive attitude turns out to be insignificant and has the wrong sign in two of the four models. This is counterintuitive. We suspect that those Chinese firms that considered themselves as proactive and risk taking probably only apply this attitude to the domestic market. Of the variables related to the market characteristics, globalness of the market is significant with the right sign, which makes intuitive sense, but market competition is not, indicating that the level of domestic market competition does not seem to affect a firm's level of global mindedness.

### 3.6.2 Strategic choices and orientation of Chinese firms

As to the strategic orientation of Chinese firms, we first run regressions of global mindedness on all strategic

variables (see Table 4). Results indicate that in terms of market selection, global minded firms tend to choose the most developed markets and are least likely to choose geographically or culturally close markets. In terms of expansion scale and speed, global minded firms tend to pursue fastest entry, widest entry and fastest expansion after entry. Global minded Chinese firms therefore tend to pursue aggressive and risky international expansion strategies (see Table 5). None of the marketing variables turns out to be causally related to global mindedness.

### 3.6.3 Performance implication

Regarding the relationship between global mindedness and firm performance, based on our regression results, global mindedness turns out to be highly significant across all measures for firm performance (see Table 6). This indicates that Chinese firms that are global minded perform better in the marketplace. In sum, these results indicate that hypotheses 1, 2, 4, 6, 7, 8 and 9 are supported by our empirical findings. However, hypotheses 3 and 5 are rejected. Overall, our theoretical framework receive broad support from our empirical analysis.

## 4 Discussion

International business scholars have long conjectured that global mindedness is one of the key drivers of firm success in the global marketplace. No study has empirically determined the components of global mindedness and linked it to the performance of firms. In this paper, we develop a scale to measure global mindedness and test it out on a sample of Chinese firms. We then show how global mindedness affects the strategic orientation of firms and consequently their performance.

Our results show that experience with foreign culture, leadership vision and firm capacity are the key components that establish global mindedness in firms. Experience with foreign cultures clearly allows people to shed their ethno-centric views and helps them form a more global view. The finding that leadership vision is important in forming a firm's global mindedness resonates with



**Table 4** Level of global mindedness by categories of firms (Value for global mindedness is in descending order)

Firm Size	GM	Firm Age	GM	Firm Type	GM	Industry	GM	Partner Type	GM	Foreign Employees	GM	Partner Success	GM
7	4.44	1	5.17	5	5.31	3	4.67	4	4.68	6	5.51	4	4.88
6	4.33	7	4.44	3	4.68	9	4.62	1	4.54	8	5.25	3	4.31
4	4.23	5	4.11	1	3.92	10	4.60	5	4.51	3	4.94	1	3.88
5	4.13	4	4.07	2	3.87	4	4.16	3	3.82	4	4.92	2	3.55
2	3.78	6	4.05	4	3.50	5	4.12	2	3.59	5	4.60		
3	3.78	2	4.04			1	4.06			7	4.31		
1	3.69	3	3.75			2	3.87			2	4.10		
						7	3.83			1	3.79		
						11	3.57			0	3.46		
						6	3.21						
						8	3.15						

Notes: Firm size(# of employees): 1 = less than 50; 2 = 50-100; 3 = 101-500; 4 = 501-1000; 5 = 1001-5000; 6 = 5001-10,000; 7 = 10,000 and above; Firm age(year): 1 = less than 1; 2 = 1-5; 3 = 6-10; 4 = 11-20; 5 = 21-30; 6 = 31-50; 7 = 51 and above; Firm type: 1 = private; 2 = state-owned; 3 = publicly listed; 4 = joint venture; 5 = foreign-owned; Industry: 1 = service; 2 = consumer package goods; 3 = petro and energy; 4 = consumer electronics; 5 = manufacturing and auto; 6 = construction; 7 = chemical; 8 = real estate; 9 = IT and pharmaceuticals; 10 = media; Partner type: 1 = export partner; 2 = suppliers and buyers; 3 = dealership; 4 = outsourcing; 5 = joint venture; # of foreign employees: 1 = zero; 2 = 1-5; 3 = 6-10; 4 = 11-20; 5 = 21-50; 6 = 51-100; 7 = 101-500; 8 = 500 and above; Partner success: 1 = complete failure; 2 = unsuccessful; 3 = successful; 4 = complete success

**Table 5** Level of global mindedness by categories of firms (Value for global mindedness is in descending order)

Decision Type	GM	Inter Std	GM	Inter IPR	GM	Dom IPR	GM	Inter QA	GM	Dom QA	GM
2	4.20	1	4.2	1	4.81	1	4.14	1	4.77	1	4.06
1	3.98	0	3.9	0	3.96	0	4.01	0	3.93	0	4.03
3	3.97										

Notes: Decision type: 1 = centralized; 2 = decentralized; 3 = both; Inter Std: 1 = products being certified by international standards; 0 = none; Inter IPR: 1 = own international IPR; 0 = none; Dom IPR: 1 = own domestic IPR; 0 = none; InterQA: 1 = won international quality awards; 0 = none; DomQA: 1 = won domestic quality awards; 0 = none

**Table 6** Multiple regression results — drivers for global mindedness (t-values are in the parenthesis)

Variables	Model 1	Model 2	Model 3	Model 4
Firm Capacity	0.17** (3.36)	0.19*** (3.49)	0.14* (2.26)	0.13* (2.16)
Leadership Vision	0.28** (4.90)	0.26** (4.60)	0.27** (4.62)	0.25** (4.32)
Proactive Attitude	-0.02 (-0.41)	-0.02 (-0.45)	0.003 (0.06)	0.01 (0.14)
Foreign Experience	0.45** (8.51)	0.43** (8.08)	0.47** (8.51)	0.45** (8.09)
Market Competition		-0.07 (-1.40)		-0.07 (-1.46)
Globalness of Market		0.11* (2.36)		0.14** (2.70)
Firm Size			0.02 (0.37)	0.04 (0.55)
Firm Age			0.06 (1.01)	0.08 (1.35)
Adj R <sup>2</sup>	0.53	0.54	0.53	0.54
F	65.78	45.72	41.23	32.78
N	232	232	218	218

Note: \*\* p ≤ 0.01; \* p ≤ 0.05

findings in the management literature which shows that unless leaders can champion a cause, there is little support from lower levels of management. The finding that firm capacity affects global mindedness lines up with findings from marketing and management literatures which find that firm resources are a key driver of many important strategic directions. The greater resources firms have, the higher its chances of success.

Our results on the links between global mindedness and the strategic orientation of firms suggest that global

minded firms choose to enter geographically and culturally distant countries. This result seems to contradict the finding from research on psychic distance and market choice<sup>[51]</sup>. It may be due to the fact that most of global minded Chinese firms are asset-seeking firms instead of market-seeking ones<sup>[49]</sup>. They choose most developed markets seeking the critical strategic assets to quickly establish their core competencies. Globally minded firms also tend to choose either greenfield investment or acquisition, both of which are highly risky options. Furthermore, our results indicate that firms that are more global minded turn to choose the most competitive markets to enter and pursue both aggressive and risky overseas expansion strategies.

#### 4.1 Global mindedness of Chinese firms

To perform an audit on the current level of global mindedness of Chinese firms, we simply take the average value on the variable Global Mindedness for the firms in our sample (Table 7, 8 and 9). We obtain the value of 4.05 (out of 7) for global mindedness, which is moderately low. However, a detailed analysis of the distribution of firms based on their level of global mindedness reveals a rather gloomy picture. The largest group of firms (*i.e.*, 32.6%) falls between 3 and 4 in their levels of global mindedness. Only 19.3% of firms have a value of global mindedness above 5. Also among the three components of global mindedness, Chinese firms score the lowest in Global Orientation, which is supposed to be the key component of global mindedness, *i.e.*, 3.61 compared to 4.37

**Table 7** Multiple regression results – strategic orientation of global minded firms (t-values are in the parenthesis)

	Market Selection				Expansion Scale and Speed			Entry Mode			
	Geographically Close	Culturally Close	Most Developed	Least Developed	Fastest Entry	Widest Entry	Fastest Expansion	Export	Joint Venture	Greenfield	Acquisition
Global Mindedness	-0.13*	-0.18*	0.22**	-0.06	0.45**	0.25**	0.26**	0.00	0.11	0.30**	0.25**
Adj R <sup>2</sup>	(-2.00)	(-2.72)	(3.43)	(-0.90)	(7.63)	(3.88)	(4.05)	(0.04)	(1.60)	(4.74)	(3.88)
F	0.01	0.03	0.04	-0.00	0.20	0.06	0.06	-0.00	0.01	0.09	0.06
N	3.98	7.38	11.79	0.81	58.23	15.02	16.41	0.00	2.57	22.50	15.03
	232	232	232	232	232	232	232	232	232	232	232

Note: \*\* p ≤ 0.01; \* p ≤ 0.05

and 4.16 for global knowledge and global skills, respectively. Moreover, the two largest groups of firms, *i.e.*, 27.5% and 18% (45.5% in total), fall between 1 and 2 and 2 and 3 value ranges in their global orientation. This indicates that despite their desire to go abroad, the level of global mindedness of most Chinese firms is far from being impressive.

**Table 8** Multiple regression results – strategic orientation of global minded firms

	Marketing Strategies		
	Low Price and Low Quality	Product Adaptation	Long Product Line
Global Mindedness	0.10	0.09	0.08
Adj R <sup>2</sup>	(1.48)	(1.37)	(1.14)
F	0.01	0.00	0.00
N	2.20	1.89	1.31
	232	232	232

Note: \*\* p ≤ 0.01; \* p ≤ 0.05

## 4.2 Implication

Our findings have implications for both firms and governments. Firms that aspire to be global players need to first ensure their key employees to have adequate exposure to foreign markets and cultures either through training or international assignments. This appears to be the most important driver for a firm's global mindedness. Firms also need to have a leader who has the vision to internationalize his or her firm and also fully commits himself or herself to this vision. Last but not least, firms also need to build vital firm capacity, such as product competitiveness and management skills, which is the foundation for the cultivation of global mindedness.

One implication of our findings is that Chinese firms with high global mindedness aggressively seek out risky markets. Yet risk is a double-edged sword because while taking risks may lead to success, it can also lead to failures. This may explain why Chinese firms have not achieved much success in the international marketplace. We think these firms should be more cautious in their “going global” efforts. They should explore less competitive markets first and gradually establish their competencies in managing diverse foreign markets. At the same time,

they need to invest heavily in creating superior product innovation and marketing capacity, both of which are the basis for sustainable competitive advantage in the global market.

Given the fact that global mindedness is a vital component of a firm's competitiveness in the global marketplace, Chinese firms are not ready at all as far as conquering the global market is concerned, and they may be better off by first establishing a solid global mindset before contemplating the possibility of expanding into the foreign markets.

Based on these findings, governments in emergent markets, especially the Chinese government, should provide mechanisms through which Chinese firms can quickly learn to be global minded by gaining exposure to foreign markets. One such mechanism is the extensive international business training programs supported or sponsored by the government. These programs should be different from the traditional MBA programs which primarily focus on textbook knowledge. Instead, such programs should concentrate on developing Chinese firms' genuine global orientation through actually experiencing the foreign markets and cultures, in a manner similar to Samsung's Overseas Area Specialist Program.

## 4.3 Limitations and future research

The limitations of this study provide scope for future research (Table 10, 11 and 12). First, we only use cross sectional data, it would be interesting to examine how the level of global mindedness of Chinese firms evolve over time. To do so, we would need to collect longitudinal data. Second, we have only chosen firms randomly based on their sizes and industries. It would be important to analyze the level of global mindedness of top Chinese firms from various industries in a systematic way, namely, choose the top 20 or 50 firms from each major sector of the economy and measure their global mindedness.

Third, we should also examine the performance implications of being global minded in greater depth, namely, whether the most global minded Chinese firms perform better in both domestic and international markets. Last but not the least, global mindedness is proved to be a very

**Table 9** Multiple regression results – strategic orientation of global minded firms (t-values are in the parenthesis)

Variables	Model 1 (Aggressiveness)	Model 2 (Aggressiveness)	Model 3 (Riskiness)	Model 4 (Riskiness)
Global Mindedness	0.39** (6.45)	0.38** (5.96)	0.33** (5.33)	0.35** (5.38)
Firm Size		0.17 (1.99)		0.07 (0.85)
Firm Age		-0.07 (-0.85)		-0.13 (-1.55)
Adj R <sup>2</sup>	0.15	0.17	0.11	0.12
F	41.62	15.94	28.38	11.17
N	232	218	232	218

Note: \*\* p ≤ 0.01; \* p ≤ 0.05

**Table 10** Strategic orientation of Chinese firms – distribution

Level	Market Selection								Expansion Scale and Speed					
	Geographically Close		Culturally Close		Most Developed		Least Developed		Fastest Entry		Widest Entry		Fastest Expansion	
	%	Cum %	%	Cum %	%	Cum %	%	Cum %	%	Cum %	%	Cum %	%	Cum %
1	26.6	26.6	20.6	20.6	24.0	24.0	23.6	23.6	13.3	13.3	16.3	16.3	16.7	16.7
2	22.3	48.9	16.3	36.9	18.5	42.5	18.5	42.1	15.5	28.8	21.9	38.2	22.7	39.5
3	9.4	58.4	11.6	48.5	12.4	54.9	9.4	51.5	11.2	39.9	13.3	51.5	18.5	57.9
4	10.7	69.1	12.4	60.9	10.7	65.7	10.7	62.2	13.3	53.2	15.0	66.5	13.3	71.2
5	9.0	78.1	12.4	73.4	8.2	73.8	14.2	76.4	12.0	65.2	11.2	77.7	14.2	85.4
6	12.9	91.0	16.7	90.1	14.2	88.0	11.2	87.6	15.0	80.3	12.9	90.6	9.4	94.8
7	9.0	100.0	9.9	100.0	12.0	100.0	12.4	100.0	19.7	100.0	9.4	100.0	5.2	100.0
Min	1		1		1		1		1		1		1	
Max	7		7		7		7		7		7		7	
Mean	3.28		3.69		3.51		3.57		4.19		3.59		3.34	

**Table 11** Strategic orientation of Chinese firms – distribution

Level	Entry Mode							
	Export		Joint Venture		Greenfield		Acquisition	
	%	Cum %	%	Cum %	%	Cum %	%	Cum %
1	16.7	16.7	7.7	7.7	18.0	18.0	14.2	14.2
2	13.7	30.5	9.9	17.6	18.9	36.9	13.3	27.5
3	15.0	45.5	10.7	28.3	18.0	54.9	11.2	38.6
4	19.7	65.2	15.0	43.3	19.7	74.7	22.3	60.9
5	14.2	79.4	17.2	60.5	9.4	84.1	13.3	74.2
6	11.2	90.6	27.5	88.0	10.3	94.4	17.6	91.8
7	9.4	100.0	12.0	100	5.6	100.0	8.2	100.0
Min	1		1		1		1	
Max	7		7		7		7	
Mean	3.72		4.54		3.37		3.93	

**Table 12** Multiple regression results – performance implications (t-values are in the parenthesis)

Variables	Model (Outperform)	Model 2 (Profitability)	Model 3 (Overseas)	Model 4 (Overseas)
Global Mindedness	0.27** (4.00)	0.29** (4.43)	0.40** (6.21)	0.43** (6.83)
Firm Size	0.09 (1.07)	0.09 (1.05)	0.08 (0.93)	0.12 (1.41)
Firm Age	-0.03 (-0.30)	-0.14 (-1.68)	-0.01 (-0.14)	-0.07 (-0.93)
Adj R <sup>2</sup>	0.08	0.09	0.16	0.19
F	6.86	8.13	15.04	18.45
N	218	218	218	218

Note: \*\* p ≤ 0.01; \* p ≤ 0.05

important concept both theoretically and managerially. It would be essential for future study to further examine this notion in a cross cultural context, namely, whether the antecedents, components and performance implications of global mindedness hold stable across cultures, and if not, what drives these differences.

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## Appendix

### Questionnaire on “Global Mindedness and Strategic Orientation of Chinese Firms”

This is a study of Chinese firms’ global mindset and their thoughts on international expansions. It is sponsored by Judge Business School, Cambridge University, UK. We would very much appreciate your participation. All responses will be kept anonymous. There is no right or wrong answer. Please provide us with your honest answers.

#### *Section 1 Assessing Global Mindedness*

##### **Global orientation**

1. We are making enormous efforts to understand foreign markets, such as customers, competitors and general market situations.
2. We are planning or making a large investment commitment internationally.
3. We are planning to create or creating a worldwide web of relationships with suppliers, distributors, peer firms and customers.

##### **Global knowledge**

1. We as a firm have a very good understanding of major foreign cultures.
2. We as a firm have sufficient knowledge on the socio-political, economic, financial and legal aspects of major foreign countries.
3. We as a firm have sufficient knowledge on the key foreign markets and our industry on a global scale.

##### **Global skills**

1. We as a firm have sufficient cultural sensitivity and are able to work with people from different cultures efficiently.
2. We have sufficient member of staff who are proficient in English and in the languages spoken in our key foreign markets.
3. We are skilful in communicating with people from overseas using modern information systems and telecommunications technologies.

#### *Section 2 Critical drivers for the global mindedness of Chinese firms*

##### *Internal*

##### **Firm capacity**

1. We are the market leader in this industry in China.
2. Our products are winning the competition against foreign products.
3. Our RandD capacity is world class.

##### **Leadership vision**

1. Our leadership always perceive the whole world as one big marketplace.
2. Our leadership considers foreign markets as important as domestic markets.
3. Our leadership believe that we have to expand into foreign markets in order to succeed in the future.

##### **Proactive Attitude**

1. Our firm is always willing to take risk to gain competitive advantage.
2. Our firm is always willing to make change whenever necessary.
3. Our firm is always very forward looking and focuses on future.
4. Our firm has a positive attitude towards international affairs.

##### **Experiences with foreign culture**

1. There are sufficient numbers of staff of our firm have studied or lived abroad.
2. There are sufficient numbers of staff of our firm have worked for MNEs or joint ventures.
3. There are sufficient numbers of staff of our firm have taken training in cross cultural or international management.

*External***Market competition**

1. Our market is extremely competitive.
2. Our domestic market is highly saturated.
3. There are numerous brands in our market.

**Globalness of the market**

1. There are many international players in our market.
2. Foreign firms can compete freely with domestic firms in our market.
3. The leading firms in our markets are all foreign ones.

***Section 3 Strategic orientations of global minded Chinese firms*****Market selection**

1. When we expand, our company will first enter geographically nearby markets such as Russia, India, Philippines, Mongolia and some other Asian countries.
2. When we expand, our company will first enter culturally similar markets, such as Korea, Japan, Vietnam, and some South East Asian countries where Confucianism is endorsed.
3. When we expand, our company will first enter the most developed markets, such as the US and the Europe where the market potential is huge.
4. When we expand, our company will first enter least developed markets, such as Africa and some part of central Asia where competition is low.

**Speed of expansion**

5. Our company plans to expand into foreign markets as soon as possible.
6. When we expand, our company will try to enter as many markets as possible.
7. After we enter foreign markets, we will try to expand as fast as possible.

**Mode of entry**

8. When we expand, we will focus on exporting.
9. When we expand, we will find a foreign partner and set up a joint venture in the foreign market.
10. When we expand, we will go for wholly owned subsidiary.
11. When we expand, we will acquire an existing firm in the foreign country where we enter.

**Product strategy**

12. When we expand, we will pursue a cost leader (lower quality) strategy.
13. When we expand, we will adapt our products to suit the local needs.
14. When we expand, we will launch as wide a product line as possible.

**Firm performance**

1. Our firm has been consistently outperforming our competitors.
2. Our firm has been consistently profitable.
3. Our international expansion, if there is any, is highly successful.

***Firm Information***

Firm size (number of employees):

Firm age:

Number of foreign employees:

Firm type: 1) private; 2) state-owned; 3) publicly listed; 4) joint venture; 5) foreign owned

Industry type:

Decision style: 1) centralized; 2) decentralized; 3) both

Number of quality awards: 1) domestic; 2) international Number of international standards certificates

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Number of IPR ownership: 1) domestic; 2) international Number of foreign partners

Partner type:

Success of partnership:

***Personal Information***

Job title:

Age:

Education:

Years of work experience:

English proficiency:

Overseas experiences:

Years in international venture:

Training in international management:

Lived in foreign countries: