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FROM GLOBAL MINDSET TO INTERNATIONAL OPPORTUNITIES: THE INTERNATIONALIZATION OF CHINESE SMES

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Abstract. Following China's "One Belt One Road" global economic expansion strategy, Chinese small and medium-sized enterprises (SMEs) along with state-owned, large corporations are increasingly seeking business opportunities internationally. Little is known about the process of small firms' international opportunity creation and discovery in this particular context. This study examines the role of Chinese SME managers' global mindset in driving their international opportunity identification through two key activities in their internationalization process: international knowledge based and networking activities. Data were collected from a survey of 191 small and medium-sized enterprises in China. The results of structural equation modelling show that Chinese SME managers' global mindset has a positive effect on both international networking and knowledge acquisition activities, which in turn have positive effects on the development of international opportunities. The findings suggest that SMEs, while going through the internationalization process, rely extensively on social interaction with foreign business partners to obtain knowledge of the customers and institutions in the foreign market.

Keywords: Global mindset, internationalization, networking, international opportunity, knowledge acquisition, SME.

JEL Classification: D83, D85, F20, L10, L26, M10, M16.

Introduction

Globalisation trends have had a great influence on companies by shifting their focus from domestic to global environments, revealing the growing complexity of markets as well as the need for the company managers to develop further their cognitive capabilities in order to find their niche in rapidly evolving industries and adapt to fierce competition (Kedia &

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Mukherji, 1999; Levy et al., 2007; Hitt et al., 2016). Recent decades have witnessed tremendous expansion of SMEs globally and thus the international dimensions of entrepreneurship have attracted the attention of researchers (Oviatt & McDougall, 2005; Ruzzier et al., 2006; Evers & O’Gorman, 2011; Korsakienė & Tvaronavičienė, 2012; Olejnik & Swoboda, 2012; Kyvik et al., 2013; Karami & Tang, 2019). There is a notion that firms’ operational adaptation to dynamic international environments (also known as internationalization) (Calof & Beamish, 1995), requires from SMEs to be distinctive from large corporations operating in the same industries, because of the willingness and eventually abilities of the former to achieve competitive advantage despite the scarcity of available resources (Rieckmann et al., 2019; Shi et al., 2019). Although the concept of firms internationalization has been studied extensively in the literature, the factors influencing SMEs’ operational expansion overseas, processes within the firm and the strategy of meaningful realignment, are still insufficiently researched (Miocevic & Crnjak-Karanovic, 2012; Felício et al., 2016; Buzavaite & Korsakiene, 2019).

Researchers within the area of entrepreneurship (Knight, 2001; Zahra & George, 2002; Paul et al., 2017) call for attention to be paid to the processes within international entrepreneurship and challenges, which SMEs may face because of internationalization. The widening international manifestation of SMEs is framed by the entrepreneurial nature of the management team and is believed to stem from the global mindset (Nummela et al., 2004; Kyvik et al., 2013; Felício et al., 2016). International entrepreneurship is defined as ‘a combination of innovative, proactive and risk seeking behaviour that crosses national borders and is intended to create value in organisations (McDougall & Oviatt, 2000, p. 903). A range of studies suggested that, for SMEs, the internationalization process is more about the exploration and exploitation of opportunities in foreign markets (Zahra & George, 2002; Schweizer et al., 2010). Entrepreneurs seeking foreign opportunities actively engage in social networking across country borders (Karami & Tang, 2019). In addition, they also make efforts to acquire knowledge about their foreign customers, markets and institutions (Mainela et al., 2014). Both networking and knowledge acquisition activities help entrepreneurs identify new opportunities in foreign markets (Johanson & Vahlne, 2006; Tang, 2011; Freixanet et al., 2018).

Calls are made by the key contributors to the field to get an insight into the global mindset, which is embedded into advanced and more sophisticated managerial orientation leading to the evolvement of the international dimension in entrepreneurship (Paul, 2000; Kyvik et al., 2013). Evidence found in the literature shows that a global mindset is a prerequisite for internationalization and forms an effective instrument for combatting complexities related to cultural diversity, differences in political systems as well as the shortage of available resources, market power and other essential capabilities, often possessed by large multinational companies (Fletcher, 2000; Knight, 2001; Nummela et al., 2004). However, there is little empirical research on whether entrepreneurs’ global mindset could lead to networking and knowledge acquisition activities, and subsequently identification of international opportunities.

The main goal of this paper is to link entrepreneurs’ global mindset to international opportunity identification and answer the following two research questions: (1) Does global

mindset determine international opportunity identification? (2) How international knowledge acquisition and international networking affect global mindset-international opportunity identification relationship? Addressing these research questions, the data were collected from a sample of 191 Chinese SMEs that had international business. The research interest revolves around China due to its spectacular development over recent decades and the major impact of SMEs on the country's GDP, reaching 60 per cent, and also their significant contribution to employment in urban areas (Cai et al., 2014; Zhang & Xia, 2014). Despite being highly active and intermittently successful in doing business internationally (as 68 per cent of the country's exports fall to SME share) (Hall, 2007), particularly in the current wave of China's vision for economic integration with Asia, Europe and Africa under the "One Belt One Road" initiative (Du & Zhang, 2018), SMEs in China were overlooked by researchers mainly due to large state owned enterprises being the focus of attention until recently (Cardoza & Fornes, 2011). Furthermore, "One Belt One Road" initiative aimed at the development of infrastructure such as roads, railways, seaports and airports in trading partners would foster China's economic development through the advancement of export opportunities for companies including SMEs (Li et al., 2019). The projected benefits of the initiative include gaining the access to smaller economies, strengthening of trade interdependencies and capitalising on knowledge creation and sharing as a result of participation in collaborative projects overseas (Enderwick, 2018).

This study makes significant contributions to the literature of international management by proposing and testing a novel conceptual model linking entrepreneur's global mindset to international opportunity identification. Firstly, the study reveals the significant effect of global mindset in driving firms to engage in two essential activities for opportunity discovery and creation: international networking and knowledge acquisition activities. This helps to improve the understanding of the relationship between entrepreneurs' mindsets and the specific actions taken in their firms' internationalization process. Secondly, the study reveals the positive and significant consequences of international networking and knowledge acquisition activities on the discovery of new international opportunities, and the two types of internationalization activities perform a mediating role between global mindset and the discovery of international opportunities. The study explicates the mechanism of international opportunity identification of Chinese SMEs in the country's international economic expansion wave under the "One Belt One Road" initiative, which is aimed at intensive integration of China into the world economy (Du & Zhang, 2018; Enderwick, 2018).

The paper is structured as follows. The next section provides an overview of the literature on global mindset and international opportunity identification revealing the need to study the mediating effect of international knowledge acquisition and international networking. The developed conceptual model is illustrated at the end of the literature review section. Then, the research methodology is explained, followed by results and discussion sections. Finally, the last section provides main conclusions, points to the limitations of the study and reveals how they can be addressed in future research.

1. Theoretical background and hypothesis development

1.1. Global mindset

The emerging concept of global mindset suggests that evolvment and long term competitiveness of a company in a global marketplace is impacted by the cognitive capabilities of the manager with the pivotal role assigned to mindset based competences rather than administrative arrangements within a firm (Levy et al., 2007; Buzavaite & Korsakiene, 2019). Due to its conceptual universal applicability (determined by the diverse perspectives) highlighted in the seminal works of Rhinesmith (1992), Barlett and Ghoshal (1989) and Perlmutter (1969), the global mindset has also become known as ‘transnational mentality’ or ‘multinational mindset’ and comprises individual attitudes and skills, competencies of individual and organisations as well as policies and structures of companies. The development of the global mindset is based on cultural self-awareness and openness to the diffusion of foreign values and practices into management processes, however also rooted in the strategic perspective and impacted by globalisation processes, such as integration of geographically distant operations and markets. The research originated from the works of Streufert and Swezey (1986), Karlins and Lamm (1967) and Bartunek et al. (1983) focused on cognitive complexity with the emphasis on the development of a complex managerial mindset, which is heavily influenced by the ability to recognize demands and opportunities across countries (Bartlett & Ghoshal, 1989).

High cognitive capabilities in managers result in effective globally related information processing, balancing local integration and global demands and responsiveness, recognizing and further integrating into cultures and markets, highlighting and then focusing, while making decisions, on commonalities rather than country differences (Levy et al., 2007; Maitland & Sammartino, 2015). The company’s strategic approach to managing global challenges needs to be specified in its vision and embedded into its structure and processes so as to determine the paradigm for the managers in their individual behaviour, which on its own is often not sufficient to realize a global mindset (Govindarajan & Gupta, 2001). The combination of cultural approach to global mindset understanding and strategic dimension is reflected in the work of Rhinesmith (1992), who pointed out the global mindset perspective inclusivity and thus the ability to balance contradictory forces (values, cultures etc.), recognize the diversity of others and be ready to address the ambiguity by trusting the organisational processes rather than structure. Further divergence of views on the global mindset as attribute of individuals or organisations was picked up by Levy et al. (2007) and the global mindset was defined as an individual-level ‘cognitive structure characterized by an openness to and articulation of multiple cultural and strategic realities on both global and local levels, and the cognitive ability to mediate and integrate across this multiplicity’ (p. 244).

1.2. International networking

Previous research in the area of SME internationalization put forward the notion that entrepreneurs are able to acquire and transfer the knowledge through networks thus benefiting themselves in their internationalization (Hoang & Antoncic, 2003; Pinho & Prange, 2016;

Freixanet et al., 2018). Viewing uncertainty as a major hurdle in the SME internationalization process and an obstacle in the process of ascertaining their own capabilities leads to the assumption that firms may likely experience difficulties in enforcing contracts across borders, face information asymmetry and be distanced from business partners (Freeman et al., 2006). SME internationalization literature focusing on network-based studies reveals the necessity for entrepreneurs to form and effectively utilize business relationships rather than go through formal procedures of searching for and analyzing the information (Evers & O’Gorman, 2011). The growing body of literature suggests that such networks benefit entrepreneurs through easier access to information and advice related to technology, skills and expertise and aimed at the enhancement of venture legitimacy (Ruzzier et al., 2006; Batjargal, 2010; Arregle et al., 2015; Parida et al., 2017). Further reading of network-related literature provides a mixed set of results as Larson and Starr (1993) pointed to the firm’s ability through networking to simultaneously capture the unfolding entrepreneurial process and the evolving social relationships between entrepreneurs and other people. Contrary to this Bai et al. (2016) concluded that international networking does not always have a positive impact on firms’ financial performance, whereas Rieckmann et al. (2019) and Shi et al. (2019) pointed to possible underutilisation of available network resources by SMEs in their endeavours to internationalize.

As entrepreneurs with a global mindset are able to use their education (Buzavaite & Korsakiene, 2019), which is deeply rooted in the study of foreign market opportunities, foreign language and gained through vast international travel experience, their interpersonal ties form the mechanism through which the access is granted to a variety of resources held by potential partners overseas.

Thus, the literature led to the development of the following hypothesis:

Hypothesis 1: Global mindset has a positive effect on international networking activities.

1.3. International knowledge acquisition

Due to its versatility, the global mindset has a number of underpinning constructs, one of which is international know-how (Felicio et al., 2012). Considered by many as a cognitive-based capability and a source of SME competitive advantage in international entrepreneurship (Nummela et al., 2004; Hitt et al., 2007; Olejnik & Swoboda, 2012), the global mindset encourages managers to process effectively the information about the foreign markets and acts as an antecedent to the knowledge based activities. The essential feature of internationalized SMEs then includes the mastering of the technology and information systems (Bilgin et al., 2012) as well as learning from experience of constant scanning of information about competitive market conditions at an international scale (Johanson & Vahlne, 2009).

Researchers provided evidence showing that SME internationalization is positively related to individuals’ human capital and social capital such as management knowledge, which subsequently may enhance firms’ human resource practices (Wright et al., 2007). In the Chinese specific context the major barriers to SME internationalization identified by Cardoza and Fornes (2011) are insufficient knowledge about international finance and lack of communication skills.

Commonly country specific knowledge, which complements cross-cultural knowledge, helps to observe the trends in economic, social and political environments assisting SMEs to reduce uncertainty (Kedia & Mukherji, 1999). The global mindset is manifested in the ability to acquire knowledge about operational differences and then use that knowledge while handling multiplicity.

Thus, based on the literature review the hypothesis is developed as follows:

Hypothesis 2: Global mindset has a positive effect on international knowledge acquisition activities.

1.4. International opportunity

Due to the intention of some SMEs to operate at international level, the entrepreneurship characteristic of risk seeking has gained further credibility as the potential uncertainty is amplified by the international environment complexity, thus revealing the necessity to address a variety of threats, which differ from those that the firm may face domestically (Knight, 2001; Ruzzier et al., 2006). However, as pointed by Kiss et al. (2013), the counter argument to this lies in the assumption that entrepreneurs perceive risk differently and often at lower level. This is due to ambitious behavior and willingness to take risk associated with wider international entrepreneurship culture and influenced by, for instance, product launch timelines or quest for innovativeness in the processes of production or service delivery.

Within the context of international entrepreneurship, risk averse behavior (Johanson & Vahlne, 2009) gradually transformed into a risk tolerance approach (Liesch et al., 2011) and inclined towards the concept of opportunity identification, thus defining international entrepreneurship as 'the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services' (Oviatt & McDougall, 2005, p. 540). This shift emphasizes the necessity of bringing together the global mindset concept with a focus on entrepreneurial knowledge and networking. These constructs can be used effectively in the search for opportunities with the wider objective of addressing the risk by adopting and understanding different cultures, more effective knowledge acquisition and utilisation as well as partner selection through networking.

Thus, following hypotheses are developed:

Hypothesis 3: Global mindset has a positive effect on international opportunity identification.

Hypothesis 4: International networking has a positive effect on international opportunity identification.

Hypothesis 5: International knowledge acquisition has a positive effect on international opportunity identification.

1.5. The mediating roles of international knowledge acquisition and international networking

Entrepreneurs with a global mindset express a strong interest in developing international business (Felício et al., 2012), while the global thinking helps entrepreneurs to associate local cultures and opportunities with firms' developmental targets (Gupta & Govindarajan, 2002). For SMEs, internationalization is an entrepreneurial process of opportunity discovery and exploita-

tion in the foreign markets (Zahra & George, 2002; Schweizer et al., 2010) and it is believed that those opportunities are to be created through the actions and interactions with parties in the firm's cross-border networks and through the acquisition of knowledge of the host country's institutions, markets and consumers (Mainela et al., 2014). As a prerequisite of effective internationalization (Nummela et al., 2004), global mindset boosts and enables the possession of cross-cultural competencies (Johnson et al., 2006) and induces the development of learning, adaptation and technological advancement. Entrepreneurs, therefore, are able to enhance their interactive cognitive structures through endogenous route (individual competences), whereas the contextual perspectives are advanced through exogenous route (organizational capabilities) to global mindset development (Kyvik et al., 2013). According to Johanson and Vahlne (2006) the process of international opportunity creation is extensively influenced by its social nature, which embraces the entrepreneurs' interactive actions and entails social learning and fostering the internationalization of SMEs. Due to social capital embeddedness in business relationships (Meng et al., 2016), opportunities emerge from the entrepreneur's daily activities of exploration and exploitation (Johanson & Vahlne, 2009) and may stem from unintended (sometimes irrational) consequences of deliberate, internationally oriented efforts such as networking and knowledge acquisition. Through networking, entrepreneurs are able to evaluate potential foreign business partners and better match the demand, understand the needs of customers, foster trust and commitment, turning the network into opportunity (Johanson & Vahlne, 2006; Chandra & Coviello, 2010).

Based on this argument the following hypotheses are developed:

Hypothesis 6: Global mindset has an indirect effect through the mediation of networking on international opportunity identification.

Hypothesis 7: Global mindset has an indirect effect through the mediation of knowledge acquisition on international opportunity identification.

The developed conceptual model is illustrated in Figure 1.

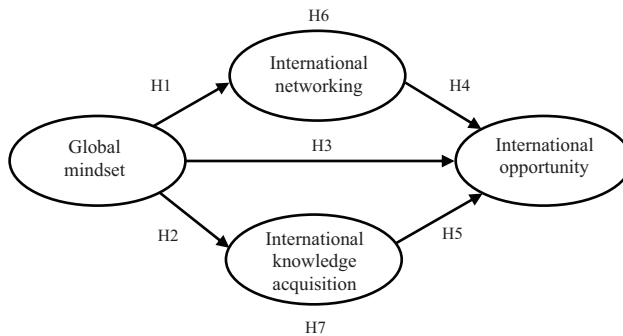


Figure 1. Proposed conceptual model

2. Methodology

Empirical data for this study was collected using a survey questionnaire, which was first developed in English and then prior to distribution, translated into Chinese by a bilingual scholar of busi-

ness studies, and back-translated into English by a second bilingual scholar in the same subject area. This procedure, recommended by Brislin (1993), allowed the research team to make minor adjustments following the revision of both scholars and the authors of this paper.

2.1. Construct measures

All construct measures were based on sources from the extant literature. Three items measuring global mindset were selected from Felício et al. (2015): see the world as single, vast market (glob1); internationalization as a means to achieve growth objectives (glob2); and lead the firm into the international market (glob3).

Three items measuring international networking activities were adopted from Felício et al. (2015) and Bai et al. (2016): explore foreign market resources (network1); engage in social interactions with foreign clients (network2); and create/maintain relationships with foreign business partners (network3). Three items measuring knowledge acquisition were also adopted from Felício et al. (2015) and Bai et al. (2016): participate in activities to acquire foreign market knowledge (know1); foreign business opportunities and ideas (know2); and foreign new technological ideas (know3).

International opportunity identification was measured using three items adapted from Miočević and Morgan (2018): “Foreign market offers many opportunities that our firm can exploit” (IO1); “Our firm frequently identifies opportunities for sales in the foreign market” (IO2); and “Our firm frequently identifies ideas from foreign markets to develop new products” (IO3).

Several control variables are included in the model such as firm size (number of employees), annual sales volume and firm age – all of which are well-established factors in SME literature, which influence firm internationalization (Andersson et al., 2004; Hennart et al., 2019).

2.2. Sample and data collection

Data were collected by means of an online questionnaire, which was administered using online survey hosting website <http://www.sojump.com>. Following Zhang et al. (2016) owners or key decision makers (owners/managers) at privately-owned companies originating in China were identified as the target population. This criterion is underpinned by the evidence of the crucial role of the managers in the decision making process found in the SME internationalization literature (Lu & Beamish, 2001; Fabian et al., 2009).

In order to recruit survey participants a nation-wide SME trade association (with approximately 2000 members) was approached. The invitations to take part in the survey were distributed by the trade association to its members via the group function of the social network application WeChat. This media platform is widely used in China (Lien & Cao, 2014; Tu, 2016) and offers a virtual place where businesses, state and civil society merge. Using its large audience, WeChat proved to be effective marketing tool for businesses in China aimed to increase public awareness, enhance the corporate influence and also interact with consumers on a daily basis (Zhao et al., 2018; Zhou et al., 2018). Chinese SME managers often communicate with each other via WeChat, exchange commercial information, and build up social networks (Niedermeier et al., 2016), the platform proved to be an effective means for reaching and engaging with the potential research participants.

The definition of SME in China captured in The Chinese SMEs Promotion Law (Zhu et al., 2012), which came into effect in 2003, depends on the industry category and considers the number of employees, annual turnover and the total assets of the company. SMEs in China differ from their European counterparts in several respects, with a higher number of employees seen as the prime one, although given the labour intensity of the production in China and the size of the country, the companies are still relatively small. Following Zhao et al. (2011) firm size was selected as a control variable and measured in terms of the total number of employees in the firm: micro ≤ 50 , small (51–150), and medium (151–600). A valid sample of 191 participants from SMEs which comply with the number of employee criterion was collected, 73 of which are micro, 50 small, and 68 medium-sized enterprises. The headcount of staff for the sample ranged from the minimum of 8 people to the maximum of 582, and the average was 121. Constructing the sample using the most important measure of the number of employees is in line with the research conducted by Zhang et al. (2012) and determined by the possible difficulties in getting financial data from the companies due to sensitivity of this information (Brouthers & Xu, 2002).

The profiles of companies are shown in Table 1.

Table 1. Company profile (n = 191)

	Frequency	Percentage
Company age		
1–5 years	26	13.6
6–10 years	60	31.4
11–15 years	72	37.7
16–20 years	21	11.0
20 and above	12	6.3
Industry		
Textile and garment	50	26.2
Chemical, rubber and plastic products	36	18.8
Metal and machinery	33	17.3
Electronic, optical, electrical products	66	34.6
Others	6	3.1
Involvement		
Export	143	74.9
Strategic alliance	23	12.0
Joint venture	18	9.4
Direct investment/Subsidiary	7	3.7
Firm size		
Micro (up to 50 employees)	73	38.2
Small (51–150 employees)	50	26.2
Medium (151–600 employees)	68	35.6

3. Results

The proposed model was tested with a partial least square structural equation modelling (PLS-SEM) by means of SmartPLS 3 software (Ringle et al., 2015). Following the procedure suggested by Hair et al. (2016), the bootstrapping procedure was based on 5000 re-samples.

3.1. Measurement model

Following Hair et al. (2016), the reliability and convergent validity were examined by looking at the values of factor loadings (should be greater than 0.7), composite reliability (CR, should be greater than 0.7), and average variance extracted (AVE, should be greater than 0.5). Table 2 reports the results, which indicate that all the values were greater than the recommended thresholds.

Table 2. Construct reliability, convergent validity and cross-loading

	International opportunity	Global mindset	Knowledge acquisition	Networking
CR	0.835	0.829	0.874	0.87
AVE	0.627	0.618	0.698	0.691
IO1	0.783	0.491	0.413	0.47
IO2	0.8	0.402	0.4	0.464
IO3	0.792	0.384	0.526	0.403
glob1	0.423	0.784	0.368	0.479
glob2	0.464	0.776	0.509	0.463
glob3	0.378	0.798	0.411	0.494
know1	0.47	0.398	0.816	0.399
know2	0.452	0.499	0.86	0.484
know3	0.493	0.478	0.83	0.506
network1	0.553	0.544	0.516	0.84
network2	0.418	0.5	0.428	0.837
network3	0.415	0.465	0.433	0.816

Note: IO = international opportunity; glob = global mindset; know = knowledge acquisition; network = networking.

Discriminant validity was examined using three criteria: cross loading, Fornell and Larcker criterion, and Heterotrait-Monotrait ratio of correlations (HTMT) criterion. First, the cross-loading shown in Table 2 indicates that each measurement item loaded higher in its respective construct than any others. Second, Table 3 shows the results of Fornell and Larcker test, which confirm that the square roots of AVE were higher than respective inter-construct correlations. Third, all the values of HTMT ratio of correlations (shown in Table 4) were smaller than 0.85, the most conservative threshold for establishing discriminant validity

(Henseler et al., 2015). The above test results suggest that discriminant validity of the study constructs can be confirmed.

Table 3. Fornell and Larcker test

	International opportunity	Global mindset	Knowledge acquisition	Networking
International opportunity	0.792			
Global mindset	0.539	0.786		
Knowledge acquisition	0.565	0.55	0.836	
Networking	0.563	0.608	0.556	0.831

Table 4. The heterotrait-monotrait (HTMT) ratio of correlations

	International opportunity	Global mindset	Knowledge acquisition
Global mindset	0.768		
Knowledge acquisition	0.759	0.738	
Networking	0.751	0.824	0.703

A full collinearity assessment was conducted to test potential common method bias, which is a procedure proposed by Kock (2015) for testing common method bias in PLS-SEM. Table 5 shows the test results, which indicate that most of inter-construct variance inflation factors (VIFs) are smaller than 3.3, the strictest threshold (Kock, 2015). It was confirmed that common method bias is not an issue of concern.

Table 5. Inter-construct variance inflation factors (common method variance test)

	International opportunity	Global mindset	Knowledge acquisition	Networking
International opportunity	–	1.676	1.591	1.634
Global mindset	1.767	–	1.736	1.602
Knowledge acquisition	1.612	1.657	–	1.659
Networking	1.79	1.672	1.796	–

3.2. Structural model results

The evaluation of the structural model shows that the coefficients of determination of the endogenous latent variables (R^2) are 0.370 for international networking, 0.303 for international knowledge acquisition, and 0.434 for international opportunity. According to Hair et al. (2016), these values suggest that the predictive power of the structural model, although somewhat weak, was approaching the moderate level.

The results for hypothesis testing as shown in Table 6 indicate global mindset has a positive effect on networking (H1 was supported) and knowledge acquisition activities (H2 was supported). Global mindset does not have a direct relationship with international oppor-

tunity identification (H3 was not supported). Both networking and knowledge acquisition activities have a positive effect on international opportunity identification, thus supporting H4 and H5.

Table 6. Main results

		Path coefficients	t-Values	p-Values	Supported?
H1	Global mindset -> Networking	0.608	12.339	0.000	Yes
H2	Global mindset -> Knowledge acquisition	0.550	7.625	0.000	Yes
H3	Global mindset -> International opportunity	0.211	1.302	0.193	No
H4	Networking -> International opportunity	0.268	3.183	0.001	Yes
H5	Knowledge acquisition -> International opportunity	0.299	2.773	0.006	Yes

To test the mediation hypotheses of H6 and H7, the significance level of indirect effect was examined by following the bootstrapping procedure recommended by Hair et al. (2016). The results as shown in Table 7 indicate that the indirect effects of global mindset on international opportunity identification through both networking and knowledge acquisition are significant. Thus both H6 and H7 were supported.

Table 7. Mediation test results

		Indirect effect	t-Values	p-Values	2.50% CI	97.50% CI	Supported?
H6	Global mindset -> Networking -> International opportunity	0.163	2.836	0.005	0.071	0.292	Yes
H7	Global mindset -> Knowledge acquisition -> International opportunity	0.165	2.132	0.033	0.056	0.35	Yes

4. Discussion

The findings of this study provide empirical evidence to support the notion that global mindset acts as prerequisite for SME internationalization and forms an effective instrument for combatting foreign markets' complexities and diversities as well as the shortage of available resources, market power and other essential capabilities encountered by SMEs (Fletcher, 2000; Knight, 2001; Nummela et al., 2004). The study provides an insight into the global mindset, which ultimately contributes to the identification of international opportunities, a new and distinctive perspective of international entrepreneurship (Paul, 2000; Kyvik et al., 2013).

This study improves understanding of Chinese oriented entrepreneurship (Lu & Tao, 2010; Zhang et al., 2012; Su et al., 2015; Dimitratos et al., 2016; Zhang et al., 2016) and furthers knowledge of the SME internationalization-entrepreneurial process of seeking opportunities in overseas markets (Zahra & George, 2002; Schweizer et al., 2010). The results support the argument that SME international expansion does not always come from formal search, analysis and selection, rather it is often based on an interaction between entrepreneurs and their social and business networks (Fu et al., 2006; Zhang et al., 2012). In addition to knowledge acquisition, international networking is an essential channel for the firm to expand in a wider range of market for Chinese SMEs (Park & Luo, 2001; Fu et al., 2006). In line with previous studies such as Reuber and Fischer (1997), George et al. (2005) and Ruzzier et al. (2007) the correlation test results also indicate that firm size was not significantly related to global mindset, international knowledge acquisition and international networking. SMEs, therefore, may effectively utilise niche strategy (Majocchi & Zucchella, 2003) to compensate for small size and address the resource constraints through networking (Musteen et al., 2010; Yukhanaev et al., 2015).

Two major practical implications can be drawn from the current study. First, the findings suggest that SME owners/managers need to develop a global mindset, which will help guide their international exploration and business venturing. Specifically, the identification of opportunities starts from a change of managerial way of thinking, from domestic market orientation to view the world as a large market where there are enormous opportunities to be discovered, and internationalization as a means to realize the firm's growth objectives (Ribau et al., 2017). The government endeavours to unlock internationalization potential of SMEs may therefore stretch beyond the development of existing businesses, but also embed programmes aimed at enhancement of international exchange at schools and higher education institutions (Fabian et al., 2009; Minola et al., 2016).

Second, the global markets are complex and varied from one market to another in terms of institutions and consumer preferences, thus SMEs should commit their efforts to learn the know-how of doing business in their targeted foreign markets, effectively process the information about the markets so as to quickly identify and exploit opportunities (Galdeano-Gómez et al., 2016). Consistent with the social network theorists' assertions (Johannisson, 1986; Brass, 1992), this study confirms that networks help to develop entrepreneurial competences, therefore managers should also engage with networking activities. Forming a close relationship with foreign business partners and customers provides effective access to the identification of opportunities, therefore some adjustments to normative behaviour of entrepreneurs within their value chains and their greater cooperation would be appropriate if a firm is seeking to accelerate its internationalization (Karami & Tang, 2019).

Conclusions

This study expands the previous research on entrepreneurship and international business by examining how Chinese SME managers' global mindset leads to the discovery of international opportunities, which are conceptualized as the discovery of new product ideas, new markets, and new processes of doing business in a foreign market. Research attention was

paid to studying characteristics of SME managers, however findings of this study extend the prior literature by introducing two moderator factors, which stem from internationalization activities: international knowledge acquisition and international networking activities. Data from a sample of 191 SMEs support the study's hypothesized structural model and show that Chinese SME managers' global mindset proved to be effective in international opportunity identification, whereas the identified international networking and international knowledge acquisition activities mediate the relationship. Networking advances awareness of foreign market opportunities and proved to be effective, when business ties are not yet developed. Given limited international business experience, entrepreneurs are able to improvise and effectuate to take advantage of social networks in particular, which results in internationalization endeavours.

In spite of the valuable contribution of this research into the domain of Chinese SME internationalization, there are a number of limitations, which should be taken into account when the contribution of the present study is evaluated. Firstly, the data were collected from a pool of 2,000 Chinese SMEs from a nationwide trade association. This may impose some limitations on the generalizability of the findings, when SMEs outside the national trade association are considered.

Secondly, the social media application WeChat was utilised to invite the research participants to complete the questionnaire and this communication channel proved to be effective in this study, however some of the SMEs are reluctant to routinely use it in business-to-business communication. Further research that seeks to include a larger number of participants may do this via both online and traditional format paper surveys.

Thirdly, the study did not differentiate between the forms of ownership arrangements of SMEs, for which China presents a unique case due to the ownership reform it is undergoing, therefore ownership can be potentially influential among other institution-based factors impacting the internationalization of SMEs in China. Compared with state-owned enterprises, private SMEs may face more challenges while seeking governmental support in international endeavours whether it be availability of information related to government policy over forthcoming changes, access to financial resources and timely approvals – all the factors, which are manifested as a result of the existence of political and business ties.

Further studies may include not only the effect of ownership, state – non-state arrangement, but also look into a rich palette of possible private ownership SME arrangements taking into account their evolutionary path dependency and considering a wider range of internationalization modes.

In addition, the developed conceptual model is not exhaustive, but it supports a more comprehensive explanation of SME internationalization, thus it is suggested to utilize longitudinal data in future studies. This will enable the researchers to identify more interactions among key factors of SME internationalization, the effect of which may be transitional in nature as firms develop, for instance a propensity towards greater risk taking at early stages of internationalization that may change over time along with SME evolution.

Disclosure statement

We declare that we do not have any competing financial, professional, or personal interests from other parties.

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