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**MODERATING ROLE OF LEADERSHIP BEHAVIOUR AMONG  
ENTREPRENEURIAL ORIENTATION, SOCIAL CAPITAL,  
GLOBAL MINDSET AND FIRM INTERNATIONAL  
PERFORMANCE**

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**DOCTOR OF BUSINESS ADMINISTRATION  
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in Partial Fulfillment of the Requirement for the Doctor of Business Administration**

## ABSTRACT

Small and Medium Enterprises (SMEs) play an important role to strengthen the total exports of developing countries. These exports depend on firm international performance. This study empirically examined the major factors of firm international performance which attracted researcher's attention in previous studies. Among those factors include entrepreneurial orientation, social capital, and global mindset. This study also investigated the moderating role of leadership behavior on the relationship between entrepreneurial orientation, social capital, global mindset and firm international performance in the sports industry of Pakistan. A structured questionnaire representing dimensions related to entrepreneurial orientation, social capital, global mind set, leadership behavior and firm international performance was designed. Data were collected using a cross-sectional study, whereby 550 questionnaires were randomly distributed and 320 were successfully collected through personal administered method. Partial Least Squares Structural Equation Modelling (PLS-SEM) was used to test six hypotheses. This study found that entrepreneurial orientation, social capital, and global mindset are high impacting independent variables in a relationship with firm international performance. Furthermore, leadership behavior has a strong moderating effect on the paths between entrepreneurial orientation, social capital, global mindset and firm international performance. The study also contributed to the theory as it extended Resource Based View (RBV) and Contingency Theory perspective. Policy-makers should encourage firms to improve their entrepreneurial orientation, social capital and global mindset which may increase exports of Pakistan sports industry to all over the world. Lastly, the scope of the study is limited to moderating effect of leadership behavior on entrepreneurial orientation, social capital, and global mindset in sports industry only. Future research are suggested to select the data from other exporting industries by applying longitudinal study and undertake other moderators such as competitive structure, absorptive capacity, or environmental dynamism.

**Keywords:** Firm international performance, entrepreneurial orientation, social capital, global mindset, leadership behavior, small and medium enterprises

## Abstrak

Perusahaan Kecil dan Sederhana (PKS) memainkan peranan yang penting untuk mengukuhkan jumlah eksport negara membangun. Eksport ini bergantung kepada prestasi antarabangsa firma. Kajian ini secara empirikalnya mengkaji faktor utama prestasi antarabangsa firma yang mendapat perhatian penyelidik dalam kajian sebelum ini. Antara faktor tersebut termasuk orientasi keusahawanan, modal sosial, dan set minda global. Kajian ini juga melibatkan peranan pengantaraan tingkah laku kepimpinan terhadap hubungan antara orientasi keusahawanan, modal sosial, set minda global dan prestasi antarabangsa firma dalam industri sukan di Pakistan. Borang soal selidik berstruktur yang mewakili dimensi berkaitan orientasi keusahawanan, modal sosial, set minda global, tingkah laku kepimpinan dan prestasi antarabangsa firma telah dihasilkan. Data dikumpulkan melalui kajian keratan rentas dengan 550 borang soal selidik diedarkan secara rawak. Sejumlah 320 daripadanya berjaya dikumpulkan dengan menggunakan kaedah tadbir sendiri. Pemodelan Persamaan Kuasa Dua Terkecil Berstruktur (*PLS-SEM*) digunakan untuk menguji hipotesis kajian. Kajian ini mendapati orientasi keusahawanan, modal sosial, dan set minda global memberikan kesan yang besar ke atas pemboleh ubah tidak bersandar dalam hubungan dengan prestasi antarabangsa firma. Tambahan pula, tingkah laku kepimpinan mempunyai kesan pengantaraan yang besar ke atas hubungan antara orientasi keusahawanan, modal sosial, set minda global dan prestasi antarabangsa firma. Kajian ini juga menyumbang kepada teori kerana melanjutkan perspektif teori Pandangan Berasaskan Sumber (RBV) dan Teori Kontingensi. Pembuat dasar pula harus menggalakkan firma untuk meningkatkan orientasi keusahawanan, modal sosial dan set minda global yang boleh meningkatkan eksport industri sukan Pakistan ke seluruh dunia. Akhir sekali, skop kajian hanya terhad kepada kesan pengantaraan tingkah laku kepimpinan terhadap orientasi keusahawanan, modal sosial, dan set minda global dalam industri sukan. Kajian akan datang disarankan untuk memilih data dari industri pengeksportan yang lain dengan melaksanakan kajian longitud dan menggunakan pengantara lain seperti struktur persaingan, keupayaan menyerap, atau dinamisme alam sekitar.

**Kata kunci:** Prestasi antarabangsa firma, orientasi keusahawanan, modal sosial, set minda global, tingkah laku kepimpinan, perusahaan kecil dan sederhana

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## LIST OF ABBREVIATIONS

AMOS	Analysis of Moment Structures
AVE	Average Variance Extracted
CMV	Common Method Variance
CV	Control Variable
CR	Composite Reliability
$f^2$	Effect Size
GDP	Gross Domestic Product
GLFI	Global Leader of the Future Inventory
GM	Global Mindset
GoF	Goodness-of-Fit
IFP	International Firm Performance
LB	Leadership Behavior
EO	Entrepreneurial Orientation
OYAGSB	Othman Yeop Abdullah Graduate School of Business
PhD	Doctor of Philosophy
PLS SEM	Partial Least Square Structural Educational Modeling
Q2	Construct Cross validated Redundancy
$R^2$	R-squared values
RBV	Resource Based View
SC	Social Capital
SCCI	Sialkot Chamber of Commerce and Industry
SEM	Structural Equation Modelling
SME	Small and Medium Enterprises

SMEDA	Small and Medium Enterprise Development Authority
SPSS	Statistical Package for the Social Science
VIF	Variance Inflated Factor
$\rho_c$	Composite Reliability



## CHAPTER ONE: INTRODUCTION

### 1.1 Background of Study

Most of the successful companies in the world usually start from a small and medium enterprise. There are several examples of such enterprises like India's Tata, South Korea's Samsung, and Thailand's Charoen Pokphand Group are included in it (Brandt, 2011). Developing countries are substantial for such small and medium enterprises. In the developed Western countries famous search engines like Amazon, Google, and Apple represent these big industries. However, there are only a few number of companies which reach the height of success with feasible policies, while millions of SMEs (Small and Medium Enterprises) face the ultimate failure even in the first five years of their beginning (Hunter, 2012). The economic world faced a worst upheaval since 2008 to 2013, due to which many small and medium firms were disappointed about their future and prospect (Yan, 2016).

In the past twenty years the situation and feasibility for businesses has become more multi dynamic, complex and unpredictable (Kandjani, Bernus, & Nielsen, 2013). There is a lot of competition among the enterprises and this strong competition is forcing the big groups and small medium enterprises to raise their standards of work, increase their capabilities, and enhance their competencies. It is the need of time that they may differentiate themselves in the market. A dynamic enterprise has to improve its

international performance and competitive edge. This industrial revolution was sparked by the exponential expansion of highly-developed technologies. There is a strong need for dynamic, creative, and innovative business model for successful implementation. Such business models requires on international partnerships and collaborations. This also deals with the highest level of integration. Enterprises are manipulated with global mindset. This influence makes organization more competitive and profitable in the international market (Story & Jr., 2011).

In late 1870s, the sports industry started to flourish in the city of Sialkot now is in Pakistan. Later on Sialkot has become the hub and center of sports manufacturing, the city has its mark all around the world. Pakistan sports goods had become the strong name for its high quality and fine making. Pakistan caters makes not only the hand stitched balls but a huge range of other sports goods. No doubt, it is catering from the top to end with the finest to medium quality of sports goods. All the renowned and well-known brands like Nike, Adidas, and Reebok outsource their production in Sialkot. Sialkot city has a golden tradition of nearly more than a century of producing sports equipment and exporting soccer (Lund-Thomsen, 2013).

In Pakistan, sports industry is among largest exporter after textile that comprises of many exports small and medium sized firms (SMEs). The hub of sports manufacturing is Sialkot (Pakistan). The importance of sports industry can be recognized by its contribution in the economy of Pakistan, sports sector SMEs contribute 13.2% in 2009 showing a decline of 23.2% from 2004 in the overall market share of world. There are

around 3229 registered firms which produce sports goods in Sialkot (Lund-Thomsen, 2013). Most of these registered firms outsource their production to small units which are around 2700 in numbers and these small units provide employment to more than 100,000 people (Junaid, Khan, Ahmad, Malik, & Shinwari, 2014).

According to Hafeez, Shariff, and Lazim (2012) SMEs are driving force for the developing economy like Pakistan. The contribution of SME sector in the economic establishment of Pakistan is 90%. This contribution constitutes 40% to GDP of the country. Likewise, it has a significant portion in the exports of Pakistan. SMEs constitute 25% to overall export earning on average during the time period of last five years. The importance of SME sector can be recognized by its share in the industrial sector, the share of SME in providing employment is 78%. Despite its importance, in Pakistan less than 20% of SMEs survive for more than four years. These 20% SMEs remain operational for a very short period of time. Less than 5% of SMEs survive for more than 25 years (Hafeez, Shariff, & Lazim, 2012). This situation is really alarming and the whole scenario is worth investigating in order to come up with potential vision to avoid rapid failure rates as a result of business shutdowns and bankrupt cases. A look at the Table 1.1 is evident of the fact that the performance of small scale manufacturing firms in recent decade was quite dismal compared to previous decades.

**Table 1.1**

*Growth performance of small scale manufacturing in Pakistan: A decade-wise comparison.*

<b>Years</b>	<b>Performance of SME Manufacturing in Pakistan</b>
1981-1990	8.4%
1991-2000	7.8%
2001-2010	4.6%

Source: Ministry of Finance 2016

The success of any company and its competency can be measured by its international exports (Bloemer, Pluymaekersa, & Odekerken, 2013). Now days, Asia has developing and it is progressing even faster than it was ever imagined. This progress is expected to move the significant global center toward the Asiatic business hubs during the next 50 years positively (Gereffi, & Wyman, 2014). But on this point the possibility of strong Asian enterprises in Asiatic hubs cannot be ignored. Western organizations may face difficulties in competing with Asian enterprises. There are certain barriers to their progress culture and language are the biggest barriers among them. Therefore, it is difficult for Western industry to establish social capital with Asian rivals who have become industrialized. The economy is in the center of what is being called the third industrial revolution of the business world. For economic growth industrialization is the back bone of a developing country like Pakistan and sports industry is amongst most potential industries of Pakistan.



## 1.2 Problem Statement

Performance of SMEs Sports sector of Pakistan is deteriorating (Sharafat, Rashid, & Khan, 2014). The production costs of sports goods are increasing because of poorly paid, unskilled labor force, bad marketing practices, and intense competition in the overseas market (Mujtaba, 2012; Sayed, & González, 2014). This is causing a decline in the export performance of manufacturing SMEs of sports industry.

Mainly SMEs functioning in the sports industry of Pakistan in exporting sports goods to the international markets. These include goods and accessories of sports related football, hockey, cricket, tennis, Baseball, Golf, Basketball, Table Tennis, boxing, etc. These SMEs make intense efforts to perform competitively in the international market (Khattak, & Stringer, (2017).

Pakistan exported sports goods worth US \$273 million in 2009-2010 as compared to \$298 million in 2008-2009. This shows that Pakistan's exports of sports goods have been declining. Pakistan's export market is limited to ten countries only including US, UK, and EU (Nadvi, Thomsen, Xue, & Khara, 2011). A large number of Pakistani SMEs in the sports industry are finding lesser share in the international market. They are struggling desperately for survival.

This degradation of firm international performance is not a short-term problem. It is brought about by factors that are deeply ingrained in the Pakistani societal fabric. Removing or mitigating them will be a long-drawn social reform process (Torugsa, O'Donohue, & Hecker, 2012). China is close competitor of Pakistan that has implemented modern (capital-intensive) technology and adopted the path of high-volume, low-cost manufacture. It is able to market foot balls at a very low profit margin and relies on economy of scale to attain high profit. Pakistan continues to rely on low capital cost, labor-intensive, expensive, low volume, and hand-stitching method of production. It has lost a substantial share of global football market to China (Nadvi, Thomsen, Xue, & Khara, 2011).

**Table 1.2**

*Exports of sports good from leading producing countries, 2003–09 (US\$000)*

	2003	2004	2005	2006	2007	2008	2009
China	176,097	229,038	272,900	348,420	394,044	501,873	454,446
Pakistan	112,531	184,225	185,641	225,910	161,149	160,492	118,425
Thailand	47,342	77,791	59,964	71,287	65,647	68,378	59,336
India	13,623	18,659	19,130	22,781	N/A	27,093	20,475
Total World	627,970	792,607	835,748	984,297	955,520	1,149,146	900,101

Source: UN Comtrade International Trade Statistics Database (2010)

As Table 1.2 shows, global exports of sports goods experienced a significant increase of

nearly 50% during the period 2003-2009. Exports of sports goods from China alone show an increase of 158% during this period. Pakistan's exports of sports goods had peaked in 2006 at US\$ 226 million when the country commanded a 23% share of the global trade. By the end of 2009, it had fallen by 48% to US\$ 118 million. This is a significant reduction and represents a failure of Pakistani sports goods SMEs to compete globally. It is the principle reason behind this study.

Business top management today must function in an international marketplace that has international customers, international requirements, and international competitors (Osland, Bird, & Mendenhall, 2012). This research has been based on three references studies which link global mindset with firm international performance (Gertsen, Söderberg, & Zølner, 2012; Miocevic, & Karanovic, 2012). Other researchers examine some elements of global mindset. The research gap in the domain of global mindset reduces to a question of the degree of global mindset which can lead to rapid improvement in a firm international performance (Miocevic & Karanovic, 2012).

Thought the concepts within entrepreneurial studies, i.e. Entrepreneurial orientation and firm performance, have also emerged in SMEs context (Sciascia et al., 2012), however, there has been much dispute over the development of the entrepreneurial orientation construct, while the main attributes refer to risk-taking, innovation, and proactiveness, there is a dispute over some proposed factors, namely autonomy and aggressiveness (Lumpkin, Cogliser, & Schneider, 2009; Sundqvist et al., 2012), Wales et al (2013) indicate that future entrepreneurial orientation research should identify the generative

mechanism on how entrepreneurial orientation affects outcomes through moderating variable. There is also lack of entrepreneurial orientation analysis in rapidly developing countries (Slevin & Terjesen, 2011).

The similar issue also occurs with global mind set but the concept of global mind-set has not yet gain popular as compared to entrepreneurial orientation. Story and Jr. (2011) explain global mindset as a state of mind that is capable of comprehending a business, an industry, or a particular market on a global basis. Marketing experts Javidan and Teagarden (2011) reported growth of firm is highly related to global mindset from an international point of view. Incorporation of global mindset in business can improve profitability through the development of new products and processes, so the building global mindset is an essential process in a firm's strategy toward growth (Kiss & Danis, 2010). The problem has assumed significance since the initiative to promote the concept has emerged from several backgrounds with different units of analysis.

According to Kennedy and Keeney (2009), social capital offer growth potential through firm synergy in the areas of reputation and reliability. Social capital also provides an important means for entry in the overseas market (Musteen, Francisa, & Datta, 2010). This is about social relations with stakeholders that can bring about knowledge acquisition and innovation (Martínez-Cañas, Sáez-Martínez, & Ruiz-Palomino, 2012) as well as positive work atmosphere (Duffy, Scott, Shaw, Tepper, & Aquino, 2012).

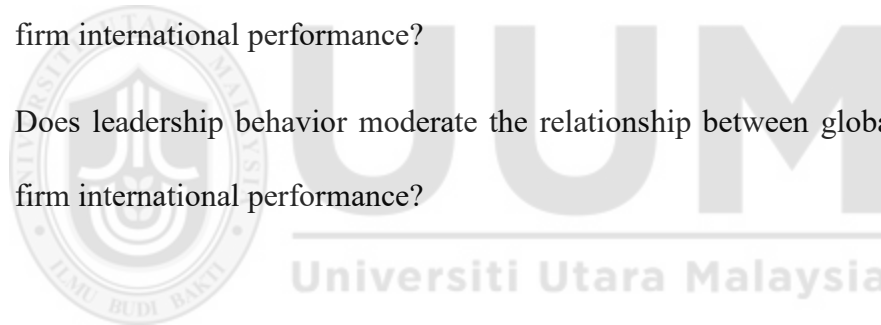
To the best of knowledge of the researcher, there is a gap in literature between global

mindset and leadership behavior. Further research is required in SMEs with global mindset and firm international performance and leadership behavior is a construct that should consider as moderator (Eriksson, Nummela, & Saarenketo, 2014). While analyzing the moderating effect of leadership behavior on relationship between entrepreneurial orientation and firm international performance, Lechner and Gudmundsson (2014) highlighted the needs to assess leadership behavior as a strong moderator. Farrington (2014) indicated contradictory finding about the entrepreneurial orientation. This implies the need for leadership behavior to be considered as a moderator. In addition, Walumbwa, Luthans, Avey, and Oke (2011) identified research gap in the relationship between leadership behavior and social capital. The present study offers to fill this theoretical gap by taking leadership behavior as a moderator between EO, SC, GM and firm international performance by conclusions drawn from the empirical data analysis, as well as to check the triangular effect and to integrate and highlights two theories: (1) Resource-based theory (2) contingency theory, which influences the study's theoretical model.

### **1.3 Research Questions**

Six specific research questions are developed for the present study. These research questions are designed to investigate the proposed relationships among entrepreneurial orientation, social capital, global mindset, leadership behavior, and firm international performance. The research questions are as follows:

1. What is the relationship between the entrepreneurial orientation and firm international performance?
2. What is the relationship between the social capital and firm international performance?
3. What is the relationship between the global mindset and firm international performance?
4. Does leadership behavior moderate the relationship between entrepreneurial orientation and firm international performance?
5. Does leadership behavior moderate the relationship between social capital and firm international performance?
6. Does leadership behavior moderate the relationship between global mindset and firm international performance?



#### **1.4 Research Objectives**

This research aims to investigate the moderating effect of leadership behavior on the impact of entrepreneurial orientation, social capital and global mindset on firm international performance with specific objective as bellow:

1. To investigate the relationship between the entrepreneurial orientation and firm international performance.

2. To investigate the relationship between the social capital and firm international performance.
3. To investigate the relationship between the global mindset and firm international performance.
4. To determine whether leadership behavior moderates the relationship between entrepreneurial orientation and firm international performance.
5. To determine whether leadership behavior moderates the relationship between social capital and firm international performance.
6. To determine whether leadership behavior moderates the relationship between global mindset and firm international performance.

### **1.5 Scope of Study**



This study focuses on the role of entrepreneurial orientation, social capital, and global mindset over the firm international performance. Furthermore, the moderating role of leadership behavior with firm international performance has also been accessed in order to reach the conclusions of the study. The focus country for the study is Pakistan. Pakistan is a developing country therefore the main focus of the study is to point out the key factors that may affect the ability of Pakistan to improve SMEs global competence. The current study is based on the idea that SMEs are only limited to their capital resources and can be benefitted from social capital.

The major research question for this study is created to illustrate the aspects of entrepreneurial orientation, and to analyze the social capital of the firm as well as their global mindset and using leadership behavior to improve firm international performance. These are the three milestones of the success and can be used as independent variables. To be more specific, the study examined the five critical elements of SMEs in Pakistan. Those critical elements are entrepreneurial orientation, social capital, global mindset, leadership behavior and firm international performance.

The current study is focusing specifically exporting SMEs in sports industry. SME has been selected on number of employees which have less than 250 employees and running business in Pakistan.

### **1.6 Significance of Study**

The importance of analyzing these essential relationships is to advance a better empathetic of how SME holders and top managers can enhance their global efficiency and how they can avoid the current problem of resources. As it stances, there is limited observed data obtainable studying the multilayered nature of the factors of firm international performance efforts. With additional research on this subject, SME owners and top managers would be able to identify which particular steps and strategies are most active in making them strong international competitors against larger firms and multinational corporations.



The distinguishing professional behaviors and attitudes of top managers in SMEs provide intense and strong insights into the many-sided and versatile reality of SME implementation and functionality. Therefore, it is important for the study to be familiar with the result of the capitalist direction and level of social capital on top managers' global mindset for building business relations and for leadership behavior towards firm international performance. The present study aims to make a substantive input to both researchers and practitioners through the claim of various paradigms. There has been very slight theory and proof on whether the leadership behavior affects entrepreneurial orientation, social capital, and global mindset to international performance of SMEs involved in manufacturing of sports goods.

This present study, therefore, aims to contribute the understanding of the determinants of success for sports equipment manufacturing SMEs in Pakistan. Furthermore, the present study provides the evidence review of the literature on entrepreneurial orientation, social capital, global mindset and leadership behavior.

### **1.7 Organization of the Thesis**

This study is organized into five chapters. Chapter one outlines the introduction, statement of problem, research questions, research objectives, scope and significance of the study and definition of terms. Chapter two focuses empirical findings from past literature on the relationship between firm international performance, EO, SC, GM, and

LB. Additionally, the underpinning theory is discussed in this chapter. Chapter three describes the research methodology of the study. The research framework, hypotheses development, measurement of instruments, research design, research population, sample size, sampling method and method of data analysis are explained in this chapter. Finally, reliability testing of pilot or preliminary study is reported.

Chapter four describes the statistical analysis of the data collected through, which include data examination, screening and preparation. Then, the measurement model as well as the structural model which were assessed with PLS-SEM using the SmartPLS 3.0 software were analyzed and reported. Consequently, results of the hypotheses based on the assessment of the structural model are reported. Chapter five discusses the research findings based on the research objectives and hypotheses. Furthermore, the chapter provides the theoretical and practical contributions and implications of the findings, research limitations and suggests future research directions. Finally, the chapter presents the conclusion of the study.

## **1.8 Definition of Terms**

The definition of terms use in this study will be based on the previous researchers conducted, and include.

1. Firm international performance (FIP): Ability of the firm to effectively and efficiently utilize the available resources in order to increase export intensity,

international sales, achieved strategic goals and management perceived success of the international venture.

2. Entrepreneurial orientation (EO): Entrepreneurial orientation that indicates the extent to which firm is entrepreneurial oriented in terms of autonomy, competitive advantage, pro-activeness, risk-taking behavior and innovativeness.
3. Social capital (SC): The notion of social capital with structure, cognitive, and trust that area unit though to be organized to promote synchronic actions so as to cultivate contentment, and satisfaction in comprehensive level.
4. Global mindset (GM): Degree to which firm support learning culture, and how intellect is created and used differently from competitors through the activities of intelligence, open-mindedness and shared vision globally.
5. Leadership behavior (LB): It explains the firm proceedings regarding planning, coordinating, leading, and communicating in order to collaborate with other companies and to motivate firm staff.
6. Small and Medium Enterprises (SMEs): This study is based on the definition offered by SMEDA. SME is any industry with a maximum asset base of Rs. 250 million, excluding land and working capital, and with the number of staff employed by the enterprises not less than 10 and not more than 250 (SMEDA, 2017). Moreover SME were mainly categorized on the basis of number of employees in the company because it is quite difficult to get financial data from the owner of SMEs in Pakistan.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

The chapter deals with firm international performance as a dependent variable. To recognize such phenomenon, the research acknowledged some independent variables, such as entrepreneurial orientation, social capital, and global mindset. Leadership behavior is also discussed as moderating variable. Additionally, the underpinning theories of study are discussed in this chapter.

### 2.2. Firm International Performance

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

The progress and the performance submit to the speculation that the firm that forms its

base on neoclassical economics and states revenue maximization as the reason of why firms exist. Firms established with intention to serve human requirements, then firm international performance can be coupled with how well firm accomplish the international needs, which diverse from abundant and several point of views, such as shareholders, human resources, consumers, or communities. This perception is also used to calculate the economic strength and competitive benefit of a firm through comparing with other firms over a specified stage (Santos, 2011).

The interests from various ideologies indicate many promising performance measures. For example, the sales performance which is connected with recompense for sales people refers to greater answerability in marketing management. From the business owner's point of view, the measure of firm international performance is useful to observe the noteworthy outcomes and behaviors of management in order to improve international performance. In addition, market-based measure also poles apart with accounting measure. Market-based measures refer to shareholder's hopes and anticipation about the prospect, while accounting measure mirrors assessment from the previous period (Gupta, Huang, & Yayla, 2011).

International performance is regarded as a mean to accomplish success by expanding overseas and distant markets (Abuzayed, 2012). Firms continuously get businesses from foreign countries, and the impact of international performance through social capital has become a critical topic of study in the global trade field. Characteristically, SMEs face challenges, such as a lack of capability, lack of human and economic resources to

progress their international performance of their businesses. Yet, it is very important and necessary for SMEs to get their resources together with other firms for endurance, expansion, enlargement, and modernization (Musteen, Francisa, & Datta, 2010).

Jørgensen (2008) claimed that international performance and advanced modernization have most probably diminished the impact of the Five Forces industry's examination. In other words, the guiding principles for sustainable competitive approach provided by the model are no longer as powerful as they were once. However, top managers have to be choosy about model application. The model's strengths lie in facilitating a better understanding of what is changeable and what is fixed in a business during a period of change across international borders. Jørgensen (2008) elucidated Porter's belief that high-tech group effort continues to be linked to a deliberate benefit or edge over their competitors. Social capitals are one critical component in making this evolution.

For the international performance of SMEs social capital can be a triumphant approach (Rodrigues & Child, 2012) by utilizing a sample of 164 Japanese SMEs to test hypotheses of study. That is, forming alliances with local and foreign partners to facilitate SMEs in overcoming the shortage of resources in their host country. Noteworthy configuration tricks manipulate SMEs' performance in international market (Rodrigues & Child, 2012). In contrast, it is stressed that nominal conformity has surfaced among scholars on the nature of the rapport firm international performance (Bausch, Schmidt, Rauch, & Kabst, 2012).

Many studies on firm performance have used several firm resources to investigate factor influencing SMEs' international performance. Fornoni et al, (2012) study social capital, mediated by access to resources, comprising access to finance, access to production, access to markets and access to information to performance. They found that the performance of an entrepreneurial venture is influenced by the entrepreneur's access to finance, markets and information. Similarly, in studying SMEs' international performance, export sale growth and export profit has been used (Ahmad et al., 2012). In the same way, Al-Swidi and Mahmood (2012) moderated the effect of total quality management and entrepreneurial orientation to study firm performance.

SMEs are linked with their capability to create more jobs, in the context of macro-economic performance. The most admired with SMEs are self-employed, which may harvest rapidly changing rewards based on their inbuilt competencies as entrepreneurs and changing business circumstances. This means the more new small and medium firms will establish the more job opportunities will be created. The role of SMEs to create jobs is recognized, though many small firms are torment, (Davidsson, 2014; Doh & Kim, 2014).

Export profit is as a bottom-line measure of sustainability; such measure represents firm productivity and abundance based on its positive feature. This proportion shows how a firm manage asset to generate profit. Some references strongly advise export profit as primary and basic international performance measures. For example, export profit is not only applicable to short-term financial measurement (Guiral, 2012), but

also to long-term money-making and lucrative drift. Long term export profit trend represents ability influence options. Export sale growth is famous as in commission turnover of a firm, which indicates whether the company is making enough of a return on its sales or not. A firm with low level of export sale growth experiences a cash flow crisis, because mark-up pricing is not an adequate amount to cover expenses. Export sale growth represents short-term financial performance (Ebbena & Johnson, 2011), which many firms are enthusiastic to take advantage of the general marketing and sales effort. In addition, firms experience different level of export sale growth in different economic cycles. International performance measures do not only need to be integrated with firm approach but also with industrial complication, and industry's vitality as an external situation. Parkman, Holloway, and Sebastiao (2012) highlighted the role of employee's thought upon their firm relative their nearest competitors, while Lin and Cheng (2013) considered perceptual based measures on effectiveness and efficiency relative to a firm's direct competitor.

Andersén (2010) drew a peculiarity between the method to measure and what is to measure. The technique to measure refers to subjective and objective measures, while what is measured refers to internal or external perspectives. The objective dimension of firm international performance refers to accountancy-based report, such as productivity and revenue generated by international sale. The objective measure is not related to research on SMEs. These objective measures become appropriate for surveillance upon public companies. However, only few public companies with both mature culture and quality management systems can expect their international performance as results of



interior inspections (Alič & Rusjan, 2010).

Moreover, economic performance shows how well a company uses its capital to produce income or profits. Before 1980s, financial objectives became general performance dealings, thereafter; many researchers have taken deliberation to more complete and wide-ranging measures for international performance study (Vora, Vora, & Polley, 2012). There are some upcoming ample measures (e.g. balanced score card, marketing dashboard, and tableau de fiord), but most of them are not appropriate to SMEs. The main and the basic measures for SMEs refer to sales growth, export profit, revenue generated by international sales, speed of new market entry, or overall performance (Parkman, Holloway, & Sebastiao, 2012). Export sales growth and export profit are very famous to know about the fact that how is a company performing, especially when the revenues increase further than adequate total resources and sales growth, It happens very dramatically. The reason behind this difference of such measures between export sales growth and export profits are execution of performance measurement system in spite of firm external and firm internal contingencies (Ebbena & Johnson, 2011), while speed of new market entry specifically represents the impact of advertising and promotion capacity (Nadkarni, Herrmann, & Perez, 2011).

Also, Augustine et al. (2012) studied forecasting, planning, controlling, learning, training, IT usage, age, experience and education of the key persons as factors influencing firm performance. Similarly, effective entrepreneurship, appropriate human resource management, use of marketing information and application of information

technology have been used as factors affecting firm performance (Moorthy et al., 2012). In another study, governance mechanisms, such as family ownership, managerial ownership, ownership of block holders, and size of the board of directors, independent administrators, and duality of leader, age of directors and qualification of the leaders have been used to investigate SMEs' export performance (Hamad & Karoui, 2011). Similarly, organizational culture mediated by knowledge creation and sharing has been used to measure firm international performance (Haque & Anwar, 2012).

The following discussion entails definitional issues, different independent variables with firm international performance, and dimensions of firm performance especially international performance of SMEs. Undersized review of past studies regarding firm international performance is illustrated below in Table 2.1

**Table 2.1**

*Firm international performance criteria*

No	Authors	Criteria
1	Jørgensen, (2008)	International performance and advanced innovation have presumably diminished the impact of the Five Forces industry's analysis.
2	Levy, Taylor, Boyacigiller, and Beechler (2007)	It has grown in response to intensifying international competition and increased levels of complication and volatility in the international environment.
3	Chang, Gong, and Peng, (2011)	Export sale growth, export profit.

- |           |   |   |
|-----------|---|---|
| <b>4</b>  | Lu and Beamish (2001)                                 | Significant configuration activities influence firm' international performance.   |
| <b>5</b>  | Chiou and Chen, (2012)                                | Firm international performance index, comprises return on asset, return on investment, and export profit.   |
| <b>6</b>  | Parkman, Holloway, and Sebastiao, (2012)              | A meeting deadlines standpoint, a profitability standpoint, an importance standpoint, a strategic fit standpoint and customer satisfaction.                                   |
| <b>7</b>  | Rubera and Kirca,(2012)                               | Firm value (stock market performance, Tobin's q, market capitalization, market-to-book; Market position: sales, sales growth, market share Financial position: profitability. |
| <b>8</b>  | St-Jean, LeBel, and Audet, (2012)                     | Growth of profit during the five previous years.  |
| <b>9</b>  | Summers, Humphrey, and Ferris, (2012)                 | Cumulative profits.   |
| <b>10</b> | Zhang and Zhang (2012)                                | Scale of business performance which made up of three financial performance indicators.  |
| <b>11</b> | Homburg, researcher, and Wieseke, (2012)              | Export profit and market success. However, comprehensive performance measurement system is conditional.   |
| <b>12</b> | Jiang, Sun, and Law, (2011)                           | Operational and financial outcomes.   |
| <b>13</b> | Sumaiyah, Aziz, and Rosli, (2011)                     | Subjective assessment for small business performance.   |
| <b>14</b> | Carney, Gedajlovic, Heugens, Essen, Oosterhout (2011) | Revenue generated by international sale with one year time lag.   |
| <b>15</b> | Kirca, et al., (2011)                                 | Market-based performance measures (e.g., stock value) and operational performance (e.g., operational efficiency).   |

- |    |  |  |
|----|--|--|
| 16 | Hutzschenreuter and Horstkotte, (2012) | Export profit at the end of period.  |
| 17 | Covin and Wales, (2012)                | Firm growth (sales growth, customer acquisition, employee growth, market share growth), Profitability (return on assets, return on investment, sales revenue). |
- 

### **2.3 Entrepreneurial orientation**

The concept of entrepreneurial orientation has been used in several other international performance studies. For example, Kuivalainen, (2007) indicated that international entrepreneurial orientation is an antecedent of the global strategy path and, thus, a determinant of the scale and scope of global activities. Entrepreneurial orientation (EO) is related to the way a business is run in the long term. It is connected in the term in which firms may be able to improve and develop international performance by adopting this concept. The hypothetical and experimental query of EO occurrence has been rising for over 30 years (Covin & Wales, 2012). This is dissimilar from free enterprise, which is about how to set up a new business (Rhee, Park, & Lee, 2010; Wang & Fang, 2012), though both concepts bind opening and resource efficiency. EO is about receptive activities upon market situation, which is believed to be contradictory behavior to conventional and adaptive market direction (Renko, Carsrud, & Brännback, 2009).

In entrepreneurship orientation, there are at least two leading strands. There are Kirznerian and Schumpeterian. Sundqvist (2012) highlighted that Kirznerian considered discovery procedure over business potential while modernization is coupled with

Schumpeterian entrepreneurship. For Schumpeter, external variables are measured to unmanageable at micro-level, while the idea to grab opportunities bounce from internally-induced change. In entrepreneurial orientation, the thought of Schumpeter's modernism becomes a feature of entrepreneurial orientation, while discovery process proposed by Kirznerian measured to be proactive is another issue.

The subsequent section reviews literature regarding various issues associated with the dimensions of entrepreneurial orientation in general terms as well as in specific context of SMEs.

### ***2.3.1 Innovation***

In international environments, firms need to be innovative in order to perform well and succeed. Thus, the firms that embrace innovation gain competitive advantage and stand a better chance to outperform their competitors. It has been perceived that firms with greater innovation orientation and capability achieve a better response from the global environment, obtaining more easily the competencies required to enhance international performance and secure a sustainable competitive advantage (Calantone et al., 2002; Hurley & Hult, 1998; Zaltman, Duncan, & Holbek, 1973).

Innovation deals with innovative and creative in using resources, which implies as a new product or technique. This is about 'original and exclusive' concepts in business, which

jump from their capability for originality and receptiveness to information (Altinay & Wang, 2011), which springs from the enthusiasm of firm to endorse new thoughts and uniqueness as well as an endeavor to transform existing technologies and practices (Pearce, Fritz, & Davis, 2010). Studies with center on entrepreneurial orientation supply more considerable hard work on modernism through stressing on research and expansion than other firms (Bausch, Schmidt, Rauch, & Kabst, 2012).

Andersén (2010) devised the way to endorse novel merchandise or technique which refers to encouragement system. He pointed out in 2010 that EO in businesses has developed an incentive system with designated manager to support and guide new thoughts. This aims to promote worker's ingenuity and creative techniques. The higher ratio of employment in skilled jobs causes the higher role specialty and absorptive capability (Gammelgaard, McDonald, Tüselmann, Dörrenbächer, & Stephan, 2011). Knowledge exchange across cultures and countries plays an essential role on facility of firms to exchange its original, practical and risk-taking behavior into international performance advantage (Golovko, 2011).

### ***2.3.2 Risk-taking behavior***

Risk-taking behavior is about readiness to take high risk in order to gain high profit. Manner goes further than the common practices and traditions (Pearce, Fritz, & Davis, 2010) with high level of resources entrusted to project (Su, Xie, & Li, 2011). During the creation of novelty, the effort to get engage into an expensive commitment to deal with an vagueness in the future representations are considered as a risk taking behavior

(Pearce, Fritz, & Davis, 2010). However, Andersen (2010) argued that entrepreneurial oriented managers generally do not see themselves as risk-takers and are inclined to recognize lower levels of risk than others.

Establishing a small business is related to high risk business. Daewoo, Chinta, Lee, and Yi (2010) pointed out that bigger risk, inadequate resource, smaller number of venture are common characteristics of small business. The mass of company also determines the effect of human resources risks. Technology modernization and commercialization is risky in which managers tend to refer short-term goals for firm benefit instead of long-term expansion for the company (Albacete-Sáez, Fuentes-Fuentes, & Bojica, 2011).

The risk taking behavior refers to bold and broad ranging acts, which entail an effort to accept risks. This is different from thoughtless, which doesn't admit risks, bold act refer to the risk consciousness and make a decision to go through with a verdict. A firm with entrepreneurial orientation tends to take a bold nuanced view of risk and fears how the profits they make, reflect that risk (Scordis, 2012). In addition, Endres and Woods (2010) believed that bold people management is the key resource to accomplish firm international performance. Schumpeter's entrepreneur also implies violent, bold, and creative management traits. On the other hand, 'wait and see stance' implies delaying asset. This takes until a right time to make a decision. The longer a wait-and-see posture takes place, the more difficult for the business to advance its expansion. Altinay and Wang (2011) have shown an inappropriate item, which is "when there is uncertainty, our business naturally adopts a 'wait and see' posture in order to lessen the risk of making pricey decisions" was detached from the early analysis.

This feature also has strong relationship with an attempt to spend for product innovation, such as hazardous ventures and acts proactively by being the first to come up with new products, technologies, and managerial techniques (Altinay & Wang, 2011). Andersén (2010) indicated that EO core references focuses too much on the positive aspect of risk taking but neglects the relationship between failure and risk-taking behavior.

### ***2.3.3 Pro-activeness***

Proactive behavior refers to initiative react to grab market opportunities with new products or services. This implies a firm with strong direction to find out future opportunities in order to meet future order (Gaweł, 2012), which may not be unassociated with presented operations (Pearce, Fritz, & Davis, 2010). This is about actions of identifying new market opportunities and respond rapidly to be the first transporter benefit (Su, Xie, & Li, 2011). Fuller, Hester, and Cox (2010) indicated that capability to create surroundings is the nature of proactive behavior.

Differentiated from innovativeness, which promotes originality and invention, pro-activeness in actual refers to involvement in rising market instead of interference in existing market (Pearce, Fritz, & Davis, 2010). According to Altinay and Wang (2011), pro-activeness refers to the firm's skills to manner market aptitude, followed by synthesizing and acting proactively on a business owner's plan (Altinay & Wang, 2011).



This involves determining the situation by introducing new products, technologies, administrative techniques rather than merely reacting to market change. Tang, Kreiser, Marino, and Weaver (2010) argued that a proactive organization is related with high enthusiasm to replace and combine information based resources to be supplier in employing strategies. Kreiser and Davis (2010) indicated that a lively situation enables firm to be proactive and search for many new opportunities to increase a competitive advantage. Vora, Vora, and Polley (2012) indicated that high level of self-sufficiency and pro-activeness tends to take place in medium-sized businesses.

#### **2.3.4 *Autonomy***

Autonomy is about providing low-powered encouragement to staff to attain the objectives of the organization, which refers to the theory of autonomy. This theory tries to appreciate types of motivations which spring from independent motivation and external motivation (Moran, Diefendorff, Kim, & Liu, 2012), which contribute to employee's fulfillment (Marescaux, Winne, & Sels, 2013). Working autonomy implies the decision-making development (Colburn, 2011) to cultivate a culture that encourages new projects (Vora, Vora, & Polley, 2012). In the context of organization, autonomy refers to the affiliation between units and sub units on making decision and goal setting for them with effort to improve firm international performance (Colburn, 2011).

As a feature of EO, autonomy is connected with the level in decision making process. Lumpkin, Cogliser, and Schneider (2009) pointed out that autonomy decision making plays a fundamental role for entrepreneurial outcome and believe becoming one of major factors in EO. This factor comprises four items; working autonomy, belief for the best result, no intervention from supervisor, and the role of leaders.

In the context of a small and medium business, autonomy is main personal reason to set up a self-employ business. Hunter (2012) indicated firm contentment and standard of living, autonomy is often more important than business goals in small and medium business. Lange (2012) also offers an experimental finding that autonomy of self-employment leads toward greater job satisfaction. Refer to self-determination theory. Autonomy contributes to satisfaction, followed by a strong pledge with excellence and efficiency of team goals (Pais, 2010). The effect of job autonomy on organizational dedication becomes stronger in quality-competitive companies (Park & Searcy, 2012). On the other hand, the traditional small and medium enterprises are under managers with difficult to trust and hand over tactical activities (Bouchard & Basso, 2011). Shimizu (2012) identified opportunistic behavior as an outcome of heartening autonomy behaviors.

Bouchard and Basso (2011) hypothesized that traditional small and medium business is moving with self-employ management with highly inventive, risk-taking and down to business but difficult to trust and delegate strategic and exploratory activities Colburn (2011) argue that autonomy in EO is dissimilar from small and medium business

orientation, which represents as an expansion of personalities as well as to produce personal income. In addition, autonomy awareness implies on quality of manager and assistant relationship followed by work pleasure (Moreau & Mageau, 2012). Seppälä, Lipponen, Pirttila-Backman, and Lipsanen (2011) indicated that mutual trust springs from work-related trust through building trust between supervisor and subordinate.

### ***2.3.5 Aggressiveness***

Aggressiveness is about competitive intentional behavior on market share extension. Pearce, Fritz, and Davis (2010) indicated that aggressiveness is related with growth in offered markets. This involves strength of a firm's effort to smash rivals, which is characterized by a strong competitive force to competitive pressure or strong unpleasant position Rauch, Wiklund, Lumpkin, and Frese (2009) and Gawel (2012), drew a peculiarity between aggressiveness and pro-activeness. It is that competitive aggressiveness stands for inclination to perk up the pose to deal with pressure forced by competitors over existing customers, while proactive chase of new markets and new clients.

To promote competitive aggressiveness behavior, Gawel (2012) outlined consciousness, inspiration, and competence. Attentiveness implies opponent's analysis on the real time tracking, while motivation refers to predisposition to take needed step in furthering their performance against the competitors. Moreover, capability outlines the touchable

resource which is deployed with aim to do better than the competitors. However, Rauch, Wiklund, Lumpkin, and Frese (2009) considered that competitive aggressiveness may be less applicable in certain culture contexts.

## **2.4 Social Capital**

Social capital delivers a configuration that improves firm international performance by distributing info and easing partnership within or among firms in order to meet business goals and gain mutual profit. Social capital involving group of persons or organizations internationally e.g., customers, suppliers, competitors, private and public support agencies, associations, intermediaries, and friends can be used to calculate social capital. Fundamentals that may either improve or delay this process are the top manager's international frame of mind and arrangement of alliances to overseas markets.

The main plan of social capital comes from social capital as expensive resources. The role of social capital refers to class of the businesses with consistency, unity, and structural association as pointer measures. Social capital has been rising from social to firm posture with Bourdie and Coleman (1977) as founders. Bourdie, (1988) highlighted profitability and effectiveness of social capital as a private smart, that springs trust among cluster member supported steady relationship with respect and repute, whereas Coleman (1998) thought-about social capital as a public smart that

becomes a component of social system (Lim & Putnam, 2010). In fact, shared principles and norms do not seem to be invariably during a place, once an organization exploits relations rather than conducting cooperation. Additionally, Duffy, Scott, Shaw, Tepper, and Aquino (2012) recognized ethical extrication at intervals the networks. If social capital is well thought-out to be precious resource, which might be non-public and public product, therefore each negative and positive aspect effects and externalities ought to be taken under consideration, as well as firm international performance (Jackson, 2010).

This concept develops from numerous scientific background, i.e. economics, politics, and social science with totally different connotations (Jansen, Curşeu, Vermeulen, & Gibcus, 2011; Oldroyd & Morris, 2012). From the enterprise viewpoint, social capital implies on plus in mobilizing social capital with certain returns within the marketplace (Wang, Zhao, Shi, & Yu, 2012). Shared data reduces contract prices and ethical danger through facilitate to know in input and output market (Capaldo, 2014). Hence, social capital is as well as life satisfaction, (Lim & Putnam, 2010), that is anticipated to be ready to increase structure culture (Lin & Steven, 2010) and promote collective decision-making and actions (Wolz, Fritzsche, Buchenrieder, & Nedoborovsky, 2010).

As latent variable, the thought of social capital theory is modified into some factors. Lim & Putnam, (2010) projected the notion of social capital with structure, cognitive, and trusts that area unit thought to be ready to sponsor synchronic actions so as to cultivate contentment, and life satisfaction in comprehensive level. This idea is taken into account to be blurred clarification since operationalization become mystified once it refers to a

community as unit of investigation. Hence, Collet and Hedström, (2013) developed thought of social capital with bunch of international networks as good thing about shared data from reference to varied teams still as firm.

The subsequent section reviews literature regarding various issues associated with the dimensions of social capital in general terms as well as in specific context of SMEs.

#### ***2.4.1 Structural***

The structural dimension of social capital is about outline of social dealings among SMEs, which implies on network ties. Wu, Chang, and Chen (2008) pointed out that the structural dimension of social interactions implies to capital that are ingrained in belief and merit together with corporeal linkage among people in the social capital that are helpful to improve the international performance of firm. Clopton (2011) referred to structure whole hypothesis to elucidate the means firm tries to handle information social capital for advantage. Oldroyd and Morris (2012) indicated straight ties in which people are close to entrepreneur which is the most widespread social structure, while Goxe (2010) argued that the improvement of a social capital lies on this element on version of some firm's qualities and industry information.

Jansen, Curşeu, Vermeulen, and Gibcus (2011) pointed out that the number of channels provides more varied information concerning the decision making situation, which

implies to decision making procedure. Wang and Fang (2012) highlighted that network structure which enables data to information, wealth and opening is foundation for competitive advantage.

Clopton (2011) proposed theory of social capital, which argues that social structure attributes both directness and closeness admittance in social relationship. Lim and Putnam (2010) drew dissimilarity between Nan Lin and other social capital theorists, because Nan Lin developed the notion of social capital through four axioms, which are the resultant from common theories. In symmetric settings, the robust networks, which consists of associated sub networks present tree-like unions (Collet & Hedström, 2013). However, there has been much overlying issue with theory of communication, such as lop-sided message, relationship management and responsibility (Pieczka, 2001).

#### ***2.4.2 Cognitive***

Cognitive dimension of social capital is about collective values of the group, which can transmit resourceful communication. Clopton (2011) called social capital as "one heart, one mind, one body" and cognitive scope as "one mind". A combined characteristic springs from same experiences of the collection. In addition, Kreiser and Davis (2010) argued that more information is available when people devote in knowledge and acceptance and sharing. This element needs the frequent codes and languages, which

spring from recurring social communication which can create confidence and common dedication (Laursen, Masciarelli, & Prencipe, 2011).

In the background of small and medium enterprises, such venture refers to owner-manager communications within organization, which can produce firm international performance and significant worth. Sturdy consistency, social capital implies highly unified ties. Structure, cognitive, and trust spring from this kind of social capital, which can be calculated (Laursen, Masciarelli, & Prencipe, 2011). This implies some constructive work situation including slow down workers who discourage others (Duffy, Scott, Shaw, Tepper, & Aquino, 2012). Rouziès and Hlland (2010) acknowledged that association mechanisms foster social capital among divisions, such as advertising and sales division. However, the intense and solid social capital can produce joblessness in the facts switch over and call for selling capability as negotiator to drive performance. In addition, Duffy, Scott, Shaw, Tepper, and Aquino (2012) recognized jeopardy of ethical disconnection, such as disapproval and antipathy, due to cognitive good reason, while Oldroyd and Morris (2012) argued that a cognitive restriction can make use of social capital due to exponential stage of social capital. Another example is strong cohesive work group that bring about leading voice and views, which exaggerated lower group, such as woman in workplace (Oldroyd & Morris, 2012).



### **2.4.3 Trust**

Trust is the central content of social capital, which enables a steady social order. Jansen, Curşeu, Vermeulen, and Gibcus (2011) indicated a chain of command orientation of social order from reliance to reciprocity, followed by responsibility and anticipation. Faith and reliability spring from precise association, which is connected with common information and harmony among the SMEs (Li, Cai, Zhu, Huang, & Shi, 2012), while Capaldo (2014) raised a question whether trust comes first before social capital or social capital is followed by trust. Hence, the increasing social capital covers higher levels of belief in the firm, which implies on a repute of organization. Moldoveanu and Baum (2011) drew attention to that cooperative benefit in the form of trust affiliation as well as international performance. Inter-group trust plays an essential role to endorse collaborative action and promote consistency toward group distinctiveness (Moldoveanu & Baum, 2011). Trust can triumph separately due to wishful thinking, personal fondness or personal estimation while joint trust relies on venture from all of the cohorts. A trust-based rapport prevails when an associate assess the other member as not hazardous or the risk level is under tolerable restrictions (Oldroyd & Morris, 2012).

Trust is well thought-out as multi essentials. Moldoveanu and Baum (2011) inflicted the elements of trust that is characteristic belief, balanced hope and safety system. The increasing social resources require belief from stakeholders, which relies on unrecorded social agreement and as an alternative tool with intention to earn income. However, there is a hazard of reception in decision making procedure, which can imply unenthusiastic

effects of social capital on decision efficiency within organization (Jansen, Curşeu, Vermeulen, & Gibcus, 2011).

## **2.5 Global Mindset**

Although the word global mindset rose comparatively late in global management study, broadly the notion has historic record in the area of cognitive field, and freshly in organizational theory where the center is on accepting, that how firm make good judgment of global market through which they communicate. According to the hypothesis of concentration (Hansen & Haas, 2001) global thinking, usually established in the course of decision making, is the skill to distinguish and process knowledge by one's personal insight. Researcher in firm manners and advertising called this procedure of data scanning as discriminating revelation, discerning concentration, selective explanation, and certain preservation (Hawkins, Mothersbaugh, & Best, 2007).

Both insight and recollection are certain. Owners focus only a partial quantity of enormous facts. It associated with an incentive is a purpose of the firm's observation of either it is value paying attention or not. This occurrence, called "perceptual security," refers to the idea that most firms make a decision what communication they want to observe and what implications they share to them. Understanding, also known as "connotation creation" is connected to persons that how he understand and make logic of the reason about them. The Gestalt or prototype is the function, shaped using the

uniqueness of the incentive, the firm, and the state of affairs (Hawkins, Mothersbaugh, & Best, 2007). Outline pattern or explanation is a comparative procedure before complete, known as perceptual relativity. Firm normally use self-reference point to understand knowledge in their surroundings. An additional facet of the relativity of perception explanation is that it has a tendency to be one-sided and open by psychological prejudice. The independent character of understanding is the dissimilarity between psychological meaning and semantic meaning is that originated to be formed on opportunities, morals, and circumstances that helpful for international performance of firm (Stafford, 2000).

The subsequent section reviews literature regarding various issues associated with the dimensions of global mindset in general terms as well as in specific context of SMEs.

### ***2.5.1 Intellectual intelligence***

Intellectual intelligence is the main dimension of global mindset is rational intellect that involves inserting varied knowledge into divisions of connotation. As mention in previous studies, intellectual intelligence in this study is considered by a compound score of a five-item concept that includes: differentiation, integration, supervising hesitation, pattern acknowledgment, and thinking internationally.

Firm Intellectual intelligence is the creation of firm background, experiences, civilization, and inclination. The present attitude guides the compilation, understanding, and

incorporation of innovative information within the organization. When open to the elements to new information that does not fit ones recent approach, the firm can either decline or alter way of thinking. Opposing to a global mindset, Nummela, Saarenketo, and Puumalainen (2004) noted that a “national (domestic) mind” uses a self-reference decisive factor to understand new knowledge through one’s personal partiality, and approaches new business situations on the foundation of the firm’s national (domestic) understanding. The incapacity to open to fresh ideas and the steady dependence on home country facts and practices limit the national mindset to learn, appreciate, and value the world and differences in cultures, performance, business practices, and attitudes. An example of a national (domestic) approach is the not-invented-here (NIH). The national mindset has a lack of concern in identifying information that is not recognizable or unlike to one’s self-reference principle.

Segregation relates to the thinness or wideness of knowledge and information that SMEs chooses and considers in their decision-making. International attitude is understood to be elevated on discrimination (Gupta, Huang, & Yayla, 2011). Incorporation refers to the firm’s capacity to appreciate differences and put together those differences into significant categories. Overall the intellectual mindset exhibits not only the readiness to learn new concepts and information, but has a curiosity and positive reception for assortment and exploring new and original things and situations (Gupta, Huang, & Yayla, 2011).

Organizing vagueness refers to the skill to bear risk and ambiguity in unknown

situations. International firms are confronted with many unknown situations that need them to administer uncertainty. Broadmindedness for haziness requires a talent to be open to new ideas and experiences. Those high in tolerance of indistinctness normally enjoy intricacy, are not defenseless by it, and see it as a usual part of life, and are not caught up by making decisions in situations of haziness (Bird, Stevens, Mendenhall, & Oddou, 2007).

Pattern acknowledgment refers to the course of sense-making and interpreting the information into significant constructs that permits the firm to react to ambiguities in business situations. Research established that people often classify new information as predictable or unpredicted (Calori, Johnson, & Sarnin, 1994). The process of shaping varies by civilization and persons. Accurate explanation is touching is sentiment retort that is triggered by the message. Emotional responses may be positive (buoyant, thrilling, temperate), unbiased (impartial) or negative (fear, anger, disturbance). Similar to cognitive interpretation, emotional responses are often culture-specific and context-based.

Employ process information only if they find it suitable and significance for understanding. The meaning is emotionally involved to the stimuli which depend on firm's characteristics, needs, prospect, experience, requirements, and the condition. From a psychological point of view, firms have intellectual and behavioral grooming. Many situational characters influence the understanding, including time stress, physical characteristics of the environment, and relative factors. For example, meanings of time,

space, relationships, and colors are learned and vary widely across cultures.

Thinking worldwide is the facility to recognize global business associations, assess global competitive environments, and manage business efficiently across trade and industry, biased, lawful, moral, and cultural differences by monitoring global events, world news, incorporating numerous points of views in business decisions, and organizing and inspiring teams across physical and cultural limitations.

According to Redding (2007), “mindset is the storehouse of sense” intellectual intelligence is developed when people change into more multifaceted meaning makers (Schaefer, 2009) and incorporate manifold cultural frameworks into their sense systems. Meaning-making and learning is an experience, in which employees build up constructs to understand what is occurring around them (Clapp-Smith, 2009).

### ***2.5.2 Cultural intelligence***

Another main constituent of global mindset is cultural intelligence that is comprised of a normal curiosity in and an inquisitiveness of cultures, world events, international travel, and cross-cultural meetings (Alon & Higgins, 2005). High levels of enlightening intelligence (cosmopolitanism) include a powerful awareness in traveling to a foreign country, learning about overseas places, and staying up to date with comprehensive news and events. The construct of cultural intellect in this study includes four subscales directness to knowledge, emotional sympathy, behavioral elasticity, cross-cultural

consideration.

Openness to learning refers to the firm's curiosity and skill to learn new concepts, thoughts, principles, and come across unseen circumstances. It involves an enthusiasm to seek and understand the fundamental reasons for cultural differences and to stay away from labeling firms from other cultures. Directness to Knowledge also refers to the firm's aptitude to vigorously connect and look for opportunities for enlargement and knowledge. The ability to learn innovative and unknown information is imperative for an international frame of mind (Ang, & Inkpen, 2008).

Education may engage a modification in content, procedure, or actions as a result of new information, understanding, or new behavioral norms. Firm's learning starts with particular revelation to fresh information that is processed into short-term or long-term memory. Careful preservation is the skill to keep in mind and evoke original information, and it is based on the firm's enthusiasm to pay concentration and infer meanings into patterns and classifies that are kept in one's collected works (Crowne, 2013).

Cultural understanding is the capability to distinguish different culture's emotions, to be familiar with the fundamental reasons for the emotions, and administer interpersonal associations to regulate management actions to provide accommodation for others by listening to diverse points of views, representing compassion, esteem, and positive

reception of educational differences (Nauwelaers, & Wintjes, 2002).

Cultural intelligence is the firm's talent to regulate leadership manners to have room for differences in the place of work and in company, encounters caused by the communications of numerous stakeholders, differences in artistic worth systems, cultural morals and business practices (Charoensukmongkol, 2016).

Cross-cultural intelligence refers to the firm's facility to recognize cultural cues and dissimilarities and their applications to business and the talent to put together the diverse cultural norms, standards, and behaviors efficiently in various leadership circumstances. Cream of the crop with a high stage of cultural aptitude not only wish to appreciate differences in political, societal, cultural, and moral issues, but often struggle to practice multiplicity in human relationships, employment environments, and personal adventures (Harris, Moran, & Moran, 2004; Mendenhall, Oddou, & Osland, 2012). Levy, Beechler, Taylor, and Boyacigiller (2007) made a note of that cross-cultural acceptance is a status of mind manifested as a point of reference in the direction of the exterior, showing enthusiasm to discover and learn from unconventional systems of meanings detained by others.

In short, to be efficient in international surroundings, firm must have a cross-cultural point of view that understands and extends further than ones confined environment and can exceed over time, space, and physical limitations (Scullion & Collings, 2010; Levy,



Beechler, Taylor, & Boyacigiller, 2007). Cultural intellect permits firms to display ethnically suitable behaviors and it provides a modifiable instrument and cultural information that is necessary to enlarge the firm's range of cultural considerations.

## **2.6 Leadership Behavior**

The study under discussion is about leadership behavior. It explains the firm proceedings regarding planning, coordinating, leading, and communicating in order to collaborate with other companies. It progress transversely among diverse cultures and countries to achieve errands and responsibilities. It meets managerial objectives in a multifaceted international setting (Franco, & Matos, 2015).

There are multiple items that measure of leadership behavior. Goldsmith, Greenberg, Robertson, and Hu-Chan (2003) made a note that successful international firms show signs of unique behaviors that appear to highlight an association to leadership. Vries and Florent, (1999) developed processes and manufacture decisions for international projects that need worldwide thoughts and includes holistic consequence of management behavior on system thinking and maximize tactical interdependencies by accepting the impact of globalization on the association. According to Levy, Beechler, Taylor, and Boyacigiller (2007) international firms are required to find out, administer, influence, and make most of the resources, people, skills, and knowledge across diversified cultures and countries. This requires that the firm own an aptitude to make a distinction and put together varied

information, the firm must be familiar with new patterns of associations and meanings and he must be intelligent enough to work in unknown, alien, vague, and uncertain work environments to appreciate multifaceted information. International firms are also needed to make choices from several factors by making the most of partnership, cross-cultural teamwork, and varied stakeholders (Goldsmith, Greenberg, Robertson, & Hu-Chan, 2003).

Based on existing literature the present study planned by six leadership behaviors of firm. Those behaviors consist of planning, coordinating, communicating, leading, motivating, communicating, and collaborating (Zhang, 2011; Wang et al. 2011; Vaccaro et al, 2012; Carmeli et al. 2011; Muhlis, 2014).

### ***2.6.1 Planning***

According to Robbins (2000), Planning, includes defining SMEs objectives, set up on the whole plan for attaining those goals and developing a complete hierarchy of plans to incorporate and coordinate activities. It is concerned with the ends (what is to be done) as well as with the result of leadership behavior on firm performance means (how it is to be done).

The participation of several mechanisms and the monitoring of complex and diverse information are required in international business. In performing administration errands,

firms must connect to planning that involves recognizing organizational objectives, setting up a general approach for attaining the goals, and expanding a comprehensive plan to integrate and coordinate processes, people, and activities. Planning should consist of determining the ends (what is to be done) and the means (how it is to be done). Planning in the 21st century economy requires the participation of several elements and the tracking of complicated and different information (Robbins, 2000).

Planning is a key component in project management that centers on choosing income for use in the implementation and achievement of a project. In an industrialized setting, this feature of planning also comprises setting up of the wide range of progression of steps that may commence holding of equipment and may finish with the formation of a finished manufactured goods. Process planning is frequently intimately connected with project planning, even though the precise purpose of each instrument are used in a different way in the general calculated planning. Whereas, both process planning and project planning are essential to give outward appearance and focal point to any project, each practice accomplishes exact requirements. Process planning assists to generate the general process which is compulsory to reach final goal, such as the development of an invention or the expansion of the market. Project planning looks at each of the steps or progresses acknowledged in the process of planning and describes the specific proceedings that must be followed in order for each of the developments to be finished productively. In a sense, a process plan (Brinckmann, 2010).

### ***2.6.2 Organizing/Coordinating***

Organizing requires identifying projects and processes, recruiting, assigning job obligations, assigning tasks, working with groups, and setting up lines of authority. According to (Mollick, 2012) organizing and coordinating operations in a global economy require firms to identify complex recruiting, assigning job obligations, assigning projects, and managing activities across functional divisions and sections coordinating organizational structures and operations in a globally connected environment. All this requires firms to appreciate and value cultural variety, be able to regulate the political, financial, and cultural distinction, and work with cross-cultural teams across physical and artistic boundaries.

According to Denrell, Fang, and Zhao (2013) it permits firms to set up tactical partnerships with their contractors and trading partners in order to set reciprocally advantageous goals and contribute to business procedure and information. Partnership helps to force market share, sales, and product acceptance while taking full advantage of export sale growth and return on investment.

Victorious teamwork relies on the expansion of shared faith between associates, as well as the enthusiasm to split information that can advantage all the associates of joint squad. The goal is to delight all contractor, outsourcing partners, consumers, and service contributor as an addition to firm (Protogerou, 2012).

### ***2.6.3 Leading***

According to Banker (2011) firms has to appreciate the value cultural multiplicity, be able to regulate to political, economic, and cultural dissimilarities, and work with cross-cultural teams across physical and cultural limitations. Firms in international environment need to smooth the progress of flexible organizational structures, processes, and shared infrastructure by empowering, rousing, and inspiring across different cultures, political, economic, legal and principled settings.

Leading is basically the roles played by the administrators which are mentioned below:

1. Expand organizational standards that correspond to other
2. Hand over influence and allocate tasks across cultures
3. Select and encourage people from an international talent pool
4. Engage in cross-cultural preparation and staff expansion

### ***2.6.4 Communication***

Communication is vital in leadership behavior and it is particularly demanding in global environment. According to Conger and Riggio (2006) firms who exchange a few words efficiently, normally provide an clear idea and courage to human resources, preserve

center on tasks, comprise others in decision-making, pay attention cautiously to other points of views, and create unremitting feedback. International firms are necessary to converse a diversified labor force across physical and cultural limitations. They must frequently assess multifaceted and contradictory information to stay in cultural differences and work through demanding state of affairs.

Efficient communication is the key to team accomplishment. The art of receiving messages across cultures efficiently is a fundamental part of being a victorious firm. Studies have designated that culturally assorted teams add greater inspiration and modernism to a project because of their multiplicity. Business and the workforce are now part of global population, and firms must be aware of communication among many different cultures. Finally, according to Schaubroeck, (2011) firms need to think tactically and look toward future openings and proposals. The organization that flourishes in the future marketplace has one that is conscious of customer's requirements, at the forefront of the curve in scientific proposals, and is imaginative and innovative. Firms must be familiar and must learn to construct own power and weaknesses and must also know how to reveal self-awareness. Effectual communication is the appearance of constructive and heartening communication about the association and announcement that builds inspiration and self-assurance. Inspiration refers to the amount that a firm stimulates eagerness among inferiors for the work of the group and utters things to construct subordinate self-confidence in their capability to carry out consignments productively and accomplish firm's objectives (Einarsen, Aasland, & Skogstad, 2007).

### **2.6.5 Motivation**

Firms can motivate employees to attain organizational objectives. Firms who encourage people through inducement or other means of enthusiasm in multi-cultural surroundings, show high opinion and admiration towards dissimilarities, and put together trust among employees across different cultures (Alon & Higgins, 2005). The capacity to work together with cross-cultural teams can help firms to achieve goals and strengthen the firm for high performance (Osland, Bird, & Mendenhall, 2012). Inspirational firms use appeals and emotional statements to provoke employee's motivation.

### **2.6.6 Collaborating**

Firms can expand reciprocally beneficial relationships, shape tactical alliances partnerships, and can level the progress of capital with business and government organizations across cultural and physical limitations (Goldsmith, Greenberg, Robertson, & Hu-Chan, 2003). Collaboration is a process involving firms working in the direction of a goal that they cannot reach alone. The process needs long-term assurance and a sympathetic behavior that are based on shared risks. Victorious partnership must be based on shared respect, a valuing of difference, trust, a plan, lots of endurance, strength of mind to adopt new approach and pull in allies not usually concerned and most of all, a sense of common rationale.

Collaboration confrontation helps in overcoming communication obstruction in different cultures, cultural tradition, values, language, history, sense of self achievement, and racial attitudes. These barriers must be conquered in order to progress the collaboration. Participants in an effectual multicultural partnership must have perfect leadership that comprehend and endeavor the assortment, while dealing with problems and disagreement along the way. If the center remains on the frequent objective and identical power for everyone concerned, the partnership has an immense chance of success (Cao, 2011).

## **2.7 Hypotheses Development**

### ***2.7.1 Entrepreneurial orientation and firm international performance***

On firm international performance the entrepreneurial orientation plays key role. Since assembly of entrepreneurial orientation is identified by Miller and Friesen (1978), a number of researches have displayed the positive force of EO on firm international performance. For example, positive impact of EO, on enlargement of SMEs is indicated by Moreno and Casillas (2008), while Simon, Stachel, and Covin (2011) pointed out positive impact of EO on firm international performance. Moreover, firm with initiatives to expand its entrepreneurial orientation improved firm international performance in the short term, on the other hand, fundamental EO becomes a long-term competitive benefit (Albacete, Fuentes, & Bojica, 2011).



On contrary, some empirical research claims that entrepreneurial orientation doesn't have noteworthy impact on firm international performance. Runyan, Droge, and Swinney (2008) identified that major impact take place with business organizations that have less than 11 year experiences. Significant impact of entrepreneurial orientation on firm international performance is indicated by Andersen (2010). While the nucleus references are well thought-out from ignoring between risk and breakdown. Other papers identify for intermediary variable. It is to explain connection between entrepreneurial orientation and firm international performance. The need of intermediary variable to make the indirect effect between EO and performance is presented by Baker and Sinkula (2009).

A question is raised by Kreiser and Davis (2010). It is about direct effect of entrepreneurial orientation through drawing difference in the business situational background. For example, the high level of firm international performance takes place in a company with great creativity, high positivity and humble-to-high risk taking behavior. Parkman, Holloway, and Sebastiao (2012) presented his idea. He said that positive relationship between EO and firm international performance with leadership behavior as a moderating variable. It shows positive relationship between entrepreneurial orientation and firm international performance. However, Kreiser and Davis (2010) provided evidence. It is the U-shape relationship between entrepreneurial orientation and firm international performance. Hence, the researcher proposes the first hypothesis:

Hypothesis 1: There is significant relationship between EO and FIP.

Based on existing literature Table 2.2 presents the relationship between entrepreneurial orientation and firm international performance in this study.

**Table 2.2***The relationship between entrepreneurial orientation and firm international performance*

<b>No</b>	<b>Author</b>	<b>Sample</b>	<b>Result</b>
1	Runyan, Droge, & Swinney, (2008)	250 US and 187 Chinese small businesses.	EO was not significant predictor of FIP
2	Baker & Sinclula (2009)	800 profit business in San Diego CA USA	There is no direct impact of EO on profitability. The direct impact was moderated by innovation success.
3	Pearce, Fritz, & Davis, (2010)	252 business division from religious organizations in US.	EO has positive and significant impact on FIP.
4	Andersen (2010)	205 Sweden small businesses.	Relationship between EO and business growth is not significant.
5	Albacete-Sáez, Fuentes-Fuentes, & Bojica, (2011)	215 Spanish small businesses in IT.	Positive effect of EO on FP
6	Chandarakumara, Zoysa, & Manawaduge, (2011) Su, Xi, & Lie (2011)	500 manufacturing companies in Sri Lanka.	EO significantly affected firm international performance, especially in small business.
7	Su, Xi, & Lie (2011)	233 firm in China.	The EO and firm performance linkage is inverse U-shape in new ventures but positive in established firms.

8	Parkman, Holloway, & Sebastiao, (2012)	122 respondents from 57 architectural organizations in US.	EO needs mediator variable to explain its impact on FIP
9	Campbell, Line, Runyan, & Sweeney, (2012)	503 small-medium in US cities.	EO has positive and significant impact on firm international performance
10	Kreiser, Marino, Kuratko, & Weaver, (2013)	1,688 SMEs from 13 different countries.	Innovativeness and reactiveness have positive U-shaped impact on FIP. Relationship between risk-taking behavior and firm performance was negative U-shaped correlation.

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### 2.7.2 Social capital and firm international performance

Social capital has become major apprehension to forecast actions of social relationship in regards to assessing local and international business contracts. Powerful social capital increases firm international performance (Duffy, Scott, Shaw, Tepper, & Aquino, 2012) on account of firm contentment (Lim & Putnam, 2010). Social capital can be a major key for firm international performance (Laursen, Masciarelli, & Prencipe, 2011).

Investment in social capital with anticipated profits in the marketplace (Berzina, 2011). Social capital at an organization's level has a noteworthy influence. It is on both knowledge attainment and internationalization, which is the part of firm success

(Martínez-Cañas, Sáez-Martínez, & Ruiz-Palomino, 2012). Enterprises guess their social capital with the help of administrating classified information to keep benefits and seek payment to improve resources, since the exclusive information provides high profit and decrease internal vagueness (Clopton, 2011). Social capital is well thought-out as a solution to deal with management and high transaction expenses which spring from problems of information and communication (Clopton, 2011).

There are some factors to smoothen the progress of information sharing, combined decision-making and collective action which are necessary for achieving share from international market. The networks, norms and confidence play essential role in it (Wolz, Fritsch, Buchenrieder, & Nedoborovsky, 2010). Hence, social capital is anticipated to be able to develop organization culture (Lin & Steven, 2010) to meet the goal of firm international performance. The firms with have high level of social capital may acquire the costs of maintaining networking to other firms that are considered to be running at a loss (Laursen, Masciarelli, & Prencipe, 2011).

The role of social capital is very clear. In firm international performance it is vibrant at different levels within the organizational growth. However, the negative linkage between the expansion of well-built ties and the development of firm is noticed by Pirolo and Presutti, (2010). Social capital effects on firm international performance with intricacy expansion of social capital. Social capital can be a major key for firm international performance through supply management channel (Laursen, Masciarelli, & Prencipe, 2011). Jansen, Curşeu, Vermeulen, and Gibcus (2011) indicate the connectivity in small

and medium business. It leads to congestion and higher varieties of social capital affects negatively on decision efficiency. Hence, researcher comes up with second hypothesis.

Hypothesis 2: There is significant relationship between SC and FIP

Based on existing literature Table 2.3 represents the relationship between social capital and firm international performance.

**Table 2.3**

*Relationship between social capital and firm international performance*

No	Author	Sample	Result
1	(Jiang, Sun, & Law, 2011)	310 firms	Social capital has positive impact on return level with opportunism as a mediator variable.
2	(Cruz-Ros, Cruz, & Pérez-Cabañero, 2010)	152 firms in Spain	Social capital has no significant impact and needs a moderating variable.
3	Rozids, Hulland, & Barclay (2010)	203 firms operating in Consumer package good Industry.	Cognitive and structural capital has a significant and positive impact on firm international performance.
4	Gupta, Huang, & Yayla (2011)	146 senior business students	Social capital has positive impact on firm international performance.
5	(Campbell, Line, Runyan, & Sweeney, 2012)	503 small-medium in US cities	There is no significant impact of social capital on firm international performance.
6	(Parra-Requena, Ruiz-Ortega, & García-Villaverde, 2012)	224 firms in Spain	There is significant impact of social capital on firm performance.

### ***2.7.3 Global mindset and firm international performance***

In the past two decades there is a lot of work that is done on this area. Researchers on comprehensive mindset projected that the greater the global mindset, the better the firm performance. It is described by using two different approaches. One approach defines global mindset as the expertise to enlarge and understand criteria for organizational performance that are autonomy from the hypothesis of a single country, culture, or circumstance. It is to utilize those criteria correctly in diverse countries, cultures, and contexts. The other approach to global mindset defines it as the talent to put together openness to and consciousness of multiplicity across cultures and markets, with an inclination and competence to merge assorted cultures and markets operationally (Gupta, Huang, & Yayla, 2011). For example, a practical global firm seeks to alter a structural procedure in a different cultural organization to put together attitudes toward risk-taking that are wrought by multicultural orientations and to figured culturally suitable risk-taking strategies (Osland, Li, & Wang, 2014).

Organizational systems must be attached by a particular business relationship in order to attain totality in an account of a social structure and to get a complete arrangement. However, Kyvik, Saris, Bonet, and Felício (2013) found determinants of global mindset. He related it to the need for allowing a total business scheme of variables concerning the organizational situation. Furthermore, the worldwide mindset was predicted as one of the key organizational structural determinants or of the thinking skills requisite of top

executives in a business circumstances.

Kyvik, Saris, Bonet, and Felício (2013) recognized an interesting contradiction, he argued that top managers become visible when the situations become complex. They are more victorious if they can reproduce quickly. They also need a smallest amount of input of information with observance to international issues (i.e., if they get too much information on global issues, their performance lowers). These results were explained by attention theory. It states that there is a spot at which a large amount of information causes withdrawing returns, because managers cannot manufacture adequate information to make strategic accomplishment decisions (Hansen & Haas, 2001). Global leaders face different situation when it comes to physical remoteness, language, time zones, cultural values, historical influences, common business practices, and institutions (educational, legal, political, and religious).

Global leaders must be able to observe the multi-cultural business background for noteworthy information, events, or business potential that allow them to create successful strategies and take pioneering action. As a result, global leaders have to be able to take some actions. One to take notice and incorporate such information in new traditions, making new associations before they work across multiple geographic locations, national cultures, merchandise lines, and functions (Osland, Li, & Wang, 2014).

Hansen and Haas (2001) found that by investing time and power to international issues, managers gain profit for their companies in the areas of accuracy of planning and organizational performance. Because any manager's attention is imperfect, decisive trade-offs must be made. As a result, hypothetical developments and experimental testing are needed to gain deeper insight into the character of these trade-offs (Hansen & Haas, 2001). A model representing that having a global mindset is a momentous feature for successful global leadership, which in turn is an imperative accomplishment factor for global organizations is presented by Javidan and Teagarden (2011).

As a result, new developments came into being. The new reserve, global mindset as a competitive advantage, is on the rise. Integrating Business Company from different regions of a business setting facilitates SMEs' development more competently and efficiently than other companies. It is becoming more demanding for international organizations to build up a stylish global incorporated system to meet the various needs of clients in overseas markets. Furthermore, new competitive advantage enables employees, managers, and executives to achieve their company goals (Javidan & Teagarden, 2011).

Hypothesis 3: There is significant relationship between GM and FIP.

Based on existing literature Table 2.4 represents the relationship between global mindset and firm international performance.



**Table 2.4***Relationship between global mindset and firm international performance*

No	Authors	Sample	Results
1	(Beechler, Levy, Taylor, & Boyacıgiller, 2004)	In a sample of 521 workers operating in two Japanese MNCs worldwide	Views of egocentrism were discovered to be favorably relevant to employees' dedication, but not relevant to employee' excitement.
2	(Begley & Boyd, 2003)	Depending on discussions with 39 HR professionals in 32 high-technology MNCs located in the U. s. States,	It was found that business international attitude comes out from policy growth recognized by a higher consistency/high responsiveness approach
3	(Arora, Jaju, Kefalas, & Perenich, 2004)	In a sample of 65 US textile executives	Supervisors were better in thinking worldwide than performing regionally. International attitude is related to several market and background features.
4	(Nummela, Saarenketo, & Puumalainen, 2004)	In a sample of 72 SMEs Finnish firms	A significant connection was found between managing worldwide experience, firm market features and worldwide attitude, but no connection between education and global mindset.
5	Levy, (2005)	In a sample of 69 American firms	Interest to the international or external atmosphere and attention depth were significantly favorably relevant to international strategic posture of firms, whereas focus on the internal atmosphere was adversely relevant
6	(Bouquet, 2005)	In a sample of 136 MNCs.	Features of the decision situation impacted the interest components established by the company, which in turn impacted TMT interest to worldwide ideal problems.

			There was a concave relationship between TMT interest to global issues and firm international performance
7	(Ananthram, 2010)	In a sample of 239 Indian and 210 Chinese native executives	The results of the research demonstrate that technical strength and business alignment were significant factors of managing global mindset intensity.
8	Clapp-Smith, Rachel, and Tara Wernsing, (2014)	A sample of 82 contributes from a Mid-western university in the USA.	Four groups of life changing activates were identified: submerging with regional traditions and individuals, suffering from the unique of “normality,” interacting in a new terminology, and discovering time for self-reflection.
9	Felício, J. Augusto, Vitor R. Caldeirinha, and Ricardo Rodrigues, (2012)	sample contains 211 SMEs	The results are useful for business owners and national regulators trying to successfully apply internationalization methods, given the role of the international attitude in discovering international work at home opportunities and in the international success of companies

#### ***2.7.4 Leadership behavior as a moderator***

The thought regarding the concept of leadership behavior which has a significant impact over firm international performance is extensive in broader management literatures. Leadership behavior represents a procedure that alters the effect of the autonomy

variables on firm international performance in the circumstances of contingency theory. This variable could be exogenous variable with moderating consequences (Arslan, 2013; Avey, 2011; Aasland, 2010) while other authors measured it as independent variable (Lornudd, 2014; Pieterse, 2010; Tsai, 2011).

Moderating effect of leadership behavior are comprehensive and versatile (Kaiser, 2013). According to Hamstra (2014) research centers on leadership behaviors that manipulate follower's standards and ambitions, trigger their superior's order requirements, and motivate them to rise above their own self-interests for the excellence of the firm. When these leadership behaviors are enacted by crowned organization, they can be mainly related as background factors that improve or restrain the presentation impact of EO, leadership behavior makes the connection between EO and firm international performance stronger, since the full prospective of EO can be realized only when the firm's human resources expand modernization that are evidently to the lead of the opposition in conditions of superior quality and pace to advertise (Engelen, 2012).

Further, when top administration promotes high opportunity, all groups, as well as functional departments, must adopt social capital and interrelate if they have to get together the high opportunity (e.g., in terms of global market entries (Birasnav, 2011). This partnership shows the way to enlarge communication and arrangement of activities (Jansen, 2011) which are essential since leadership behavior is a firm wide created whose leveled and smooth change to better recital wants contribution and activities from all functional groups (Venkataramani, 2010).

The worth of a social capital in SMEs has lately been find rather exposed in leadership behavior development study, although it has not yet been fully clarified (Von Krogh, 2012). Harmonizing the human resources approach, the more new relational and social capital oriented approach admit that leadership behavior is a continuous, relational, and socially entrenched procedure that happens connecting all managerial members, whether they have proper leadership positions or not (Birasnav, 2011). For that reason, the stress lies on construction and using interrelations supported by social responsiveness (e.g., empathy and political awareness) and social skills (e.g., partnership, constructing ties, team direction, and clash management). Thus, this viewpoint considers not only the head but also the communication with social circumstances as playing a responsibility in efficient leadership performance (Bryman, 2013). Consequently social capitals oriented leadership behavior is versatile considering different environmental and social circumstances and means helping people learn from their work rather than taking them away from their work to learn. State-of-the-art leadership behavior development is happening in the background of constant work proposal that are attached to planned business imperatives (Hoppe, 2010).

The impact of leadership behavior is connected with the competence to turn out to be an expert in the social and psychological processes that trigger efficient global mindset (Goldsmith, Greenberg, Robertson, & Hu-Chan, 2003). The writer comments that the skill to understand and admire cultural dissimilarities is attached to the ability to reunite moral tight spots that can be product of cultural differentiation. The study suggests that

when leaders are faced up to with moral tight spot in an international environment, these may not be solved but must be submissive. For example, the industrialization in a low salary country and selling the manufactured goods in high income markets may lead to ethical dilemmas.

Based on existing literature Table 2.5 represents the relationship between leadership behavior and firm international performance.

**Table 2.5**

*Relationship between leadership behavior with independent variables and firm international performance*

No	Authors	Sample	Result
1	(García Barrionuevo, & Gutiérrez, 2012)	168 Spanish firms	Leadership influence firm's performance absolutely through innovation and managerial learning.
2	(Babalola, 2014)	124 firm leaders	Leadership behavior enhances firm self-esteem, which explains the moderating effect of leadership. it moderated the relationship between frequent change and turnover intentions.
3	(Galoji, 2012)	457 Nigeria firms	The analysis conducted on the moderating effective of leadership behavior on the relationship between leadership self-efficacy and firm international performance.
3	(Engelen, 2012)	790 SMEs in six countries	Showing that leadership behavior completely affects the relationship

			between EO and firm international performance.
4	(Bilhuber Galli, 2012)	157 multi business firms	Leadership behavior development practice be different in their possible input to social capital expansion stages and should therefore be designed accordingly.
5	(Gagnon, 2013)	257 businesses owners	Correlations between global mindset, leadership behavior, and firm international performance were optimistic and important, with effects of global mindset on firm performance operating mostly not directly through leadership.

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Thorn (2012) conducted behavior research on recognizing cross-cultural competencies of organizational leaders. The researcher noted that a global firm leader is one who understands and is able to influence differences in national cultures. According to the study, an international firm leader possesses four diverse behavioral competencies like firm literacy to understand how to value firm, social literacy to attract and test others, business literacy to focusing and organizing the organization, and cultural literacy to leveraging cultural dissimilarities. Each of the four literacy group structures the base for the next capability. For example, by considering and knowing the worth of firm, the leader is able to connect and confront others, which, in turn, allows supporters to center and muster up the organization and influence culture as an instrument for constructing competitive benefits. The study shows that placing a high value on multicultural practice is one of the two best predictors in the worldwide marketplace. Hence leadership behavior allows a company to decide between chance driven policy and resource base view strategy. The formal hypotheses are:

Hypothesis 4: Leadership behavior moderates the relationship between EO and FIP.

Hypothesis 5: Leadership behavior moderates the relationship between SC and FIP.

Hypothesis 6: Leadership behavior moderates the relationship between GM and FIP.

## **2.8 Underpinning Theories**

This investigation tries to hold up substantive input to two reinforcement theories, resource based view and contingency theory. The structure chains both theories to promote firm international performance through the use of intangible resources and global business environment.

### **2.8.1 *Resource-based theory***

In current years, an increasing number of worldwide promotion studies have conducted research on how to use the resource-based theory for mounting international business opportunities (Leite, Moraes, & Salazar, 2014). Resource-based theory is a representation of a firm performance, and it focuses on resources both tangible and intangible (that is, a speculation in amenities) and capabilities (that is, a collection of skills and accumulated information) obsessed by a firm to generate and maintain sources of a ready for action benefit. The resource-based view theory focuses on interior capital of firm i.e., social capital, global mindset, and entrepreneurial orientation to be familiar with the key

determinants of a firm international performance.

George and Bock (2011) argued that an external point of view in a fast-changing epoch does not tender a protected foundation on which to expand victorious strategies. Moreover, a resource-based approach that is triumphant is to be expected to be derivative by opponents, thus lessening a firm's competitive benefit. George and Bock (2011), therefore, posited that an interior direction may be more obliging to a firm's competitive improvement.

Resource-based view theory views the homogenous resource possession among companies, which all managers use, to set value-creating strategies, in order to attain firm international performance. This provides productive ground found for theory of sustainable competitive compensation with exceptional and precious resources toward better-quality performance (Ting, 2011). The discussion upon traditional theory of social capital refers the role of social capital as communal or personal good of society as unit of investigation (Lim & Putnam, 2010). Hence, this research tries to expand resource base theory through identifying the impact of social capital on firm international performance.

Resource-based view becomes widespread dispute to accomplish performance, especially when there is the shortage of resource. Bradley, Wiklund, and Shepherd (2011) drew attention to subject of economic loose which becomes a common difficulty for companies with resource-based direction that try to increase, especially for SMEs.



These types of resources are connected with firm's social capital with the stakeholders and partners. These capitals throw light on management system of the company in which formal and informal work bond becomes source of incorporated, synchronized management as well as social communications. The common expectation from these sources is that they provide right and timely information. Positive and feasible work surroundings are the added advantages to achieve desired goals and high performance (Martínez-Cañas, Sáez-Martínez, & Ruiz-Palomino, 2012; Duffy, Scott, Shaw, Tepper, & Aquino, 2012; Berzina, 2011). Disparity and disruption in a social capital are indication of organizational catastrophe (Kahn, Barton, & Fellows, 2011). Since so many companies believe to put speculation in communication program as well as social capital. Social capital also become widespread subject in resource based view. Collet and Hedström (2013) passed on to structure whole theory. They gave details and devised the ways an industrialist tries to administer information social capitals for their advantage. It is essential for firms to get hold of information and attain social capital in order to decrease cost and gain competitiveness with inadequate funds.

Bradley, Wiklund, and Shepherd (2011) made it clear and distinct that the construct of entrepreneurial orientation is represented by resource orientation. There is another dimension and that is guarantee to opportunity which emphasizes the willingness of the company and skills to chase opportunities for the firm. On the other hand, dedication to resources describes a firm's commitment level to capitals when exploiting opportunities. Meanwhile, entrepreneurial orientation explains the degree of ownership or service of

wealth. Some companies have a preference to utilize all of the necessary resources on the other hand some firms prefer to lease the required resources.

This research supports the resource based view theory through relating the entrepreneurial orientation as one of the independent variables. Bradley, Wiklund, and Shepherd (2011) are of the view that SMEs tends to be more entrepreneurial oriented. This shows that a resource-based idea of the company is a driving force which drives the managers to be more entrepreneurial oriented. In fact, companies with competitive improvement on expensive resource, called resource-based company (Ting, 2011) become frequent in many promising economies. Creativity needs to be taken into explanation of a company with intention to increase the resource-based standpoint from short-run competitive to sustainable competitive improvement.

Speculation of investigation and expansion is more successful for the early-stage companies with resource-based effects, while a saving approach is more applicable for the late-stage firm. When resources are jolted, firms desire to administer practices with more capitalist approach. This Schumpeterian view of small and medium enterprise, thus, outlined the means to grab hold of opportunities within the possible consumption of resources. Interdependence between contingency theory and resource based view theory are in place to set firm international performance.

### **2.8.2 Contingency theory**

The contingency theory is behavioral theory that claims that there is no common way to manage business firms or to make decisions. The ability to perform depends on leadership and the extent to which the firms consider the leadership behavior (Fiedler, 2005). According to Villoria, (2016) the importance of leadership was stressed in shaping and affecting the actions and decisions of business firms. They argue that firms that match their activities and decisions with the help of their leadership behavior which will achieve the best performance.

However, the limitation of other management theories to integrate leadership behavior as a factor that affects the survival of the firm has given rise to the contingency theory. Two fundamental assumptions of heterogeneity and resources immobility of the RBV, which explain the firm's ability to achieve high share of market are static (Barney, 1991). As a result, the ability of the firm to create future valuable resources or how the leadership behavior shape the resources of the firm have been ignored (Peters, Hartke, & Pohlmann, 1985). The contingency theory assumes that business firms are organic systems. So, there is a relationship of interdependence between the firm and the leadership behavior, as well as within and between its various sub-systems (Fiedler, 1964, 2005).

Several contingency approaches have been developed, such as business strategy (Hofer, 1975); individual behavior (Skinner, 1969); organization design (Lawrence & Lorsch,

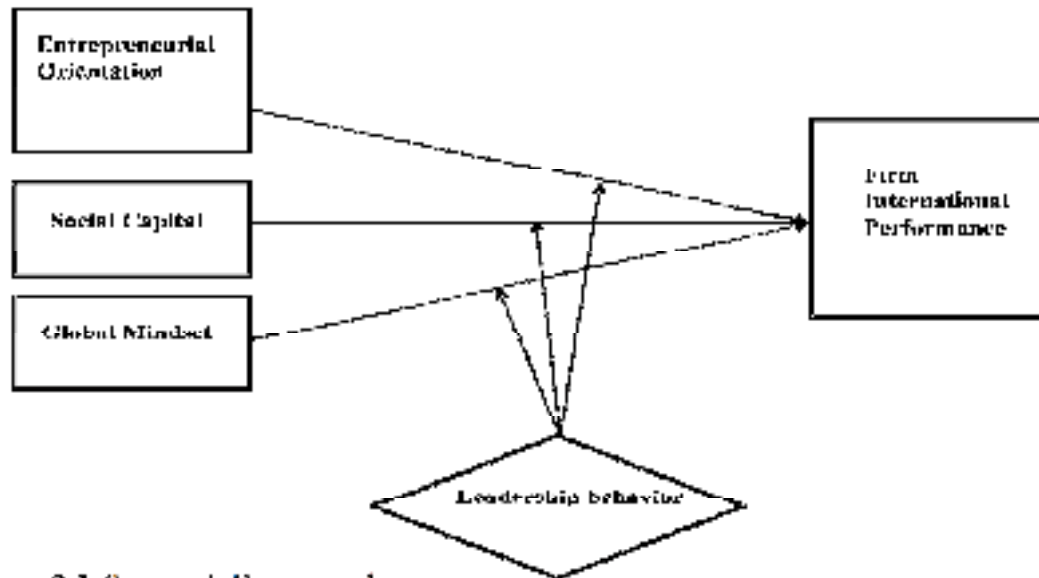
1969; Woodward, Dawson, & Wedderburn, 1965; Woodward, 2003); and decision-making (Vroom & Yetton, 1973). The contingency theory rejects the notion of management universality. It holds that firms should plan, define the goals and objectives and formulate policies according to prevailing leadership behavior.

Based on the above, this study uses the contingency theory that suggests the need for business firms to adapt to the leadership behavior and exploit potential opportunities. Business firms can achieve this through appropriate changes, integration and reconfiguration of the firm resources to match the requirements of the firm in international market.

The adaptive resource-based approach of an organization to counter leadership behavior pointed out by contingency strategy. Fielder, (2005) contingency theory is the first and most substantially investigated. Fiedler's approach leaves from mindset and behavior designs by saying that firm efficiency is conditional on the firm's psychological orientation and global mindset.

### **3.2 Research Framework**

A research framework has been developed after an extensive literature review as discussed in the previous chapters. The linkages shown in the framework in figure 3.1 are grounded in the literature.



**Figure 3.1** *Research Framework*

How both resource-based theory and contingency theory strengthen or support the framework? This question is going to be explained in this section. The resource-based viewpoint provides abundant ground for firm international performance analysis. A resource-based company can expand a competitive benefit of its precious items, unique and non-substitutable possessions toward better-quality buyer value (Ting, 2011). Resource-based theory retested by Andersén (2010), which is a widespread issue for small and medium enterprises. The changeover from resource-based benefit as the micro-foundation indicates that resource has its restrictions. Gupta, Huang, and Yayla (2011) proposed an idea that the company, which aims to develop the resource-based point of view, takes into account on the most essential in post-industrial economies, namely, organizational resourcefulness and innovativeness.

Contingency theory assumes the idea that organization is an open system. This theory argues that there is no best way which would be measured most favorable to run business in spite of their leadership behavior and mindsets (Choi & Shepherd, 2004). Inside problem within organization is not adequate to give details of the attempts of firm organization to attain its performance. The performance is also dependent on outside information and knowledge, and then firms as an open structural organization should try to stabilize inner needs to attain its performance. Hence the projected research scaffold takes into account leadership behavior as moderating variable. In the upcoming economic background, the rising firms are connected with a skill to deal with conversion system with a shady atmosphere (Xheneti & Bartlett, 2012). Highly professed leadership behavior plays an essential role on firm international performance. On the other hand, it has diverse results in the small and medium firms. The response of leadership to external business situation is linked with opportunistic observation as highlighted by contingency model of organization. Firms need to assign resources with great care and set global mindset to get higher firm's international performance (Wang & Fang, 2012).

## **2.9 Chapter Summary**

This chapter explains definitions, conceptualizations and dimensions of the key variables of the study based on the previous studies. Reviews of the literature available on the international performance of SMEs and possible studies that can affect the performance are also discussed. In this chapter, past studies related to the impact of EO, SC, GM, LB and firm international performance are discussed as well as the extent to which these

variables are linked to firm international performance. Additionally, the chapter discusses the theoretical underpinning which is RBV and contingency theory as supporting theory were seen and the possible relationship between the theories with theoretical framework was establish which led to the formulation of hypotheses to answer the research questions. The next chapter elaborates the discussion with reference to the measurements, and research methodology of present study.



## CHAPTER THREE: METHODOLOGY

### 3.1 Introduction

This chapter discusses the conceptual framework, hypotheses development, operationalization of the variables and source of the survey items of the study. The research design which refers to the philosophical framework within which data is gathered and analyzed for a research project (Brown, 2006) is also discussed. Consequently, this chapter discusses the population, sample, data collection instrument and strategy, and procedures for data analysis. It also explains the methods and techniques that are used for data collection and analysis. These include location, unit of analysis and the sampling technique.

### 3.2 Research Design

Quantitative method with cross-section design is used in this research. This technique is about quantifying relationship among under observation variables, i.e. firm international performance, entrepreneurial orientation, social capital, global mindset, and leadership behavior. The hypothesis has been derived from reviewed literature and followed by cross-sectional survey. This inspection is equated with a list of questionnaires through random sampling system. To simplify from the sample to the population, this research



employs a random selection procedure to make sure that sample is true representative of the observed population.

Therefore, a survey method using questionnaire as the instrument for data collection is found to be more appropriate for this study. This is because the study involves collection of data from SMEs owner-mangers in Pakistan in order to determine the moderating role of leadership behavior on the relationship between EO, SC, GM, and firm international performance in Pakistan. In other words, this study makes use of quantitative data in order to describe the characteristics of the SMEs and summarize the information and testing of the stated hypotheses. The study gathered data and describes the characteristics of the population of the study at one time and not over a long period of time; therefore, this study is a cross- sectional study.

### **3.3 Operational Definition**

This study involves a few key terms that should be understood as per their meaning that is used in this study. These terms are further elaborated under the literature review. For better understanding the terms are briefly explained here under.

### 3.3.1 SME

In Pakistan, SMEs are defined differently for various institutions, as shown in Table 3.1. However, in this study SMEs given definition by the Small and Medium Enterprises Development Authority (SMEDA) in Pakistan.

**Table 3.1**

*Definitions of SME by government of Pakistan*

<b>Institution</b>	<b>Employment Size</b>	<b>Paid Up Capital (Millions)</b>	<b>Annual Sales (Millions)</b>	<b>Fixed Assets (Millions)</b>
SMEDA	Up to 250	Up to PKR.25	Up to PKR.250	N/A
SME Bank	Not over 250	N/A	N/A	PKR.100
FBS	Not less 10	N/A	N/A	N/A
SBP	Not over 250	N/A	Up to 300	PKR.100

Source: [www.smeda.org.pk](http://www.smeda.org.pk)

\*1USD = PKR 105

This study is based on the definition offered by SMEDA. Moreover SME were mainly categorized on the basis of number of employees in the company because it is quite complicated to get financial information from the owner of SMEs in Pakistan.

### 3.3.2 Entrepreneurial orientation

Entrepreneurial orientation has its roots in the strategy making process. This is about incorporates planning posture, analysis, decision making and many aspects of

organizational culture, value system and mission which allows firms to draw on entrepreneurial skills and capabilities in order to grab hold of opportunity (Lumpkin, Cogliser, & Schneider, 2009). Wang and Altinay (2012) stated that firms with entrepreneurial orientation tend to edge innovativeness, risk taking behavior, proactive, autonomy, and aggressiveness.

### ***3.3.3 Social capital***

Social capital is the resource which means association and affiliation with stake holders, ranging from trust to structure and cognitive. The worth of network ties provides advantaged admittance to information and opportunities, which enables symbiotic coalition in place with a high rank of mutual trust (Li, Cai, Zhu, Huang, & Shi, 2012).

### ***3.3.4 Global mindset***

Global mindset is an ability to interpret global strategic business opportunities and implement strategy appropriately in different markets. Global mindset has been measure through how proactive a manager is and what the level of his commitment to world internationalization is. It is also measured through his international vision and his connection to global markets according to the tactical perspective from dimension of intellectual intelligence and cultural intelligence (Van Dyne, 2009; Javidan & Teagarden, 2011; Osland, Bird, & Mendenhall, 2012).

### ***3.3.5 Leadership behavior***

Leadership behavior is a set of behavior, that's principles are discussing information, data and experience across nationwide business limitations by keeping the balance with contending country, company, and functional priorities that come into sight in the international procedure. In this study leadership behavior used as moderator comprises of major characteristics that are planning, coordinating, leading, motivating, communicating, and collaborating the firm (Marshal Goldsmith, 2015; Dewettinck & Ameijde, 2011; Walumbwa, Luthans, Avey, & Oke, 2011; Einarsen, Aasland, & Skogstad, 2007).

### ***3.3.6 Firm international performance***

International performance can be measured by financial and nonfinancial measures. The success should be compared to its major rivals in the same industries over the past three years in the international performance, such as international sales growth, sales export profits, revenue generated by international sales, speed of new market entry (Wang and Liu, 2014; Nadkarni, Herrmann, & Perez, 2011; Jiménez-Jiménez & Sanz-Valle, 2011; Liao & Rice, 2010; Musteen, Francisa, & Datta, 2010).

### 3.4 Population and Sample

The population under observance for this research study is small and medium export enterprises who manufacturer sport goods in Sialkot City of Pakistan. Sports industries of Sialkot are among the important export industries of Pakistan. Between 2010 and 2012 Sialkot is contains total of 3229 sports merchandise units (Junaid, Khan, Ahmad, Malik, & Shinwari, 2014). The reason behind the observed population refers to the role of SMEs in Sialkot. There is a vast explanation about SMEs. For example, three criteria regarding asset, sales, and number of employees are pointed out by the International Finance Corporation (2012), Table 3.2 representing the SME's definitions used by different institutions in Pakistan.

**Table 3.2**  
*SME Definitions used by various institutions in Pakistan.*

<b>Institution</b>	<b>Small</b>	<b>Medium</b>
Small and Medium Enterprise Development Authority (SMEDA)	10-35 Employees or Productive capitals of PKR. 2-20 million	36-99 Employees or Productive capitals of PKR. 20-40 million
SME Bank Federal Bureau of Statistics	Total Assets of PKR. 20 Million Less than 10 employees	Total Assets of PKR. 100 million
State Bank of Pakistan	N/A	An entity , ideally not being a public limited company, which does not employ more than 250 persons (manufacturing) and 50 persons (trade / services)
Sindh Industries Department	N/A	Entity engaged in handicrafts or manufacturing of consumer or

procedure goods with fixed capital investment up to PKR.10 million including land & building.

Punjab Industries Department	Fixed assets with PKR. 10 million excluding cost of land	N/A
Punjab Small Industries Corporation	Fixed investment up to PKR. 20 million excluding land and building	N/A

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Source: <http://www.smeda.org.pk>

Since the research uses sample in Sialkot Pakistan, the circumstances of small and medium enterprises on the basis of number of workers in the firms as it is quite hard to get financial information from the SME's of Pakistan.

This research analyzed data about SMEs in Sialkot, Pakistan as the observed population. The data is provided by Sialkot chamber of commerce and industry (SCCI). This institution is assigned to record local firms under the applicable Acts. The data should be in harmony with the economic and trade policy in classification to maintain commercial activities. The number is dignified as enormous population got in the coordination of directorate general for domestic trade, ministry of trade department, Pakistan. Hence, this research uses random sampling approach.

Production of sports good is one of the major foreign exchange earners of Pakistan. Therefore, it is receiving less government assistance and support for its progress and

growth. More than 75 % of the total production of sports goods is exported every year. It is a careful estimation. The main motivation for the swift and speedy growth of this industry is the export. This industry was in infant stage with a nominal export of PKR.0.82 million at the time of independence. The industry has flourished locally since then. It has enjoys good status in 2006 in the international markets. Export of sports goods increase but with decreasing ratio, greater than before from \$ 141 million in 1991-92 to \$ 248 million in 1995-96, thus showing an average raise of 15% per annum. Latest export statistics of Sports Sector are given in table 3.3.

**Table 3.3**

*Export of sports sector (Value in Million \$)*

<b>1997-1998</b>	<b>1998-1999</b>	<b>1999-2000</b>	<b>2000-2010</b>
383.61	266.17	279.15	291.26

Source: *Economic Survey of Pakistan (2013)*

Hence, such business units with particular criteria become major objective group for local governments to endorse entrepreneurship plan. It is not realistic to carry out survey upon all population along with because of huge number of population. Hence, it is necessary to make sure that sampling has resemblance to the larger population as possible. To make it sure that sample is representing the population, random selection approach has been carry out. To simplify the sample from the population, this research employs a random selection course of action to make sure that sample is representative of the observed population.

This research employs random sampling from the 3229 population of exporting firms from Sialkot Pakistan. Sampling frame is a list of population fundamentals. It refers to the database about small and medium enterprises published by city government of Sialkot between 2012 and 2014. Saunders, Saunders, Lewis, and Thornhill (2011) highlighted two alternatives to select a sample with random sample approach especially when the feature of this sampling is about an equivalent and independent chance of being incorporated in the sample. He highlighted the random number table manually or on computer and an online number generator. This research adopts the second approach.

The first step for simple random sampling is about formatting the preferred sample size, after identifying and defining the population at the previous step. Krejcie and Morgan (1970) mentioned that a sample size for representative of population with number between 30,000 and 50,000 is about 360. It shows that the number of applicable sample remains constant at around 360, when the population goes beyond 10,000. To foresee low response rate, the research sent 550 questionnaires.

### **3.5 Measurement of Variables**

This term defines about measures of the observed variables, firm international performance as dependent variable to some independent variables, such as, entrepreneurial orientation, social capital and global mindset as well as leadership behavior. The questionnaires have been designed with two major objectives. The



objectives are to maximize the response rate and to obtain exact and precise information from respondents. Some major constructs from past literatures are used to develop questionnaires for this research. There are five latent variables. Each variable refers to some major references. Firm international performance has been modified from (Wang & Liu (2014). Entrepreneurial orientation refers to Lumpkin, Cogliser, and Schneider (2009). Social capital refers to Rouziès and Hlland (2010), and Li, Cai, Zhu, Huang, and Shi (2012). Global mindset refers to Van Dyne (2009). Leadership behavior refers to Marshal Goldsmith (2015).

A set of questionnaires are employed by this research. It utilizes a consistent set which are predicted to be compared and contrasted time after time. To calculate dichotomous responses the questions are designed with low/high questions for firm international performance and disagree/agree for independent and moderating variable on seven point Likert scale (1-7 ratings). For some reasons the research prefers to use unipolar 7-scale. First, the unipolar 7-scale is fairly widespread to determine entrepreneurial orientation and has been rising since 1976 (Simon, Stachel, & Covin, 2011; Runyan, Droge, & Swinney, 2008). Secondly, 7-scale is referred to be more reliable as Cheng, (2012) highlighted that using 5, 6, and 7-point scales in studies is reasonable with higher dependability as the number of categories augmented.

Table 3.4 shows a summary of dependent and independent variables along with measurements and major references of this study.

**Table 3.4***Major references for the adapted questionnaires*

<b>Variables</b>	<b>Measurements</b>	<b>Major references</b>
Firm international performance	<ul style="list-style-type: none"> <li>- Export sales growth</li> <li>- Export profit</li> <li>- Revenue generated from international sales</li> <li>- Speed of new market entrant</li> <li>- Overall international business success</li> </ul>	Wang and Liu, 2014;
Entrepreneurial orientation	<ul style="list-style-type: none"> <li>- Risk taking behavior</li> <li>- Autonomy</li> <li>- pro-activeness</li> <li>- Aggressiveness</li> <li>- Innovativeness</li> </ul>	Kropp, Lindsay, and Shoham (2008); Lumpkin et al. (2009); Covin & Wales (2012)
Social capital	<ul style="list-style-type: none"> <li>- Network structure</li> <li>- Trust</li> <li>- Cognitive</li> </ul>	Lee & Sukoco (2007); Bernades (2010); Rouziès & Hulland (2014); Li et al. (2012).
Global mindset	<ul style="list-style-type: none"> <li>- Intellectual Intelligence</li> <li>- Cultural Intelligence</li> </ul>	Van Dyne (2009); Cseh, Davis, and Khilji (2013); Javidan (2011);
Leadership Behavior	<ul style="list-style-type: none"> <li>- Planning</li> <li>- Coordination</li> <li>- Communicating</li> </ul>	Marshal Goldsmith (2015)

- Leading
  - Motivating
  - Collaborating
- 

### ***3.5.1 Measurement of firm international performance***

Preceding research studies characteristically measured SMEs' export sales as a proportion of their total sales in regard to international SMEs. The present study developed questions from earlier empirical studies (Wang & Liu, 2014). It is to calculate international sales, international revenue, and international sales to total sales. The hypothesized model used number of foreign operations to disclose level of firm international performance over the past three years. The answer arrangement for this scale was also a 7-point Likert scale ranging from 1 "strongly disagree" to 7 "strongly agree." High scores resolute a high international performance and low scores pointed out a low international performance. Supplementary open-ended questions permitted participants to provide more information on percentage of international sales growth, percentage of international profits, etc.

This research adapts questionnaires of firm international performances with a subjective approach proceeding to firms with SME criteria as the unit study. This adapted measure refers to Sumaiyah, Aziz, and Rosli (2011). The grounds on which the researcher adopted subjective measures are part of research plan to conquer the poor feasible financial

records or revelation of confidential financial information from the SMEs (Parkman, Holloway, & Sebastiao, 2012). Many SME owners' accounting reports are instead needed only to arrange business taxation return (Halabi, Barrett, & Dyt, 2010). It is not about the ability of accounting staff. The financial coverage has no connection with the accounting staff's capability as well as tax management and control. Financial performance is calculated via productivity (e.g., sales growth, sales income, average proportion of return on sales, and percentage of sales goals accomplished). This may eventually be used to evaluate one firm performance to another's (e.g., (Choi & Shepherd, 2004; Musteen, Francisa, & Datta, 2010). Hence, the subjective measures also consider multiple year performance.

The research considers that the measures are based on numerous year performances. Some confirmation recognized a time lag between the interference of business and their impact on firm performance (Guiral, 2012; Hacker & Hatemi-J, 2012). One-year time frame is recommended to inspect the impact of interference (Chang & Gong, 2011) at the same time as three-year time frame is more relevant to inspect long-term firm international performance (Geletkanycz & Boyd, 2011).

Based on existing literature Table 3.5 presents the adapted survey items that will capture the criteria to measure firm international performance.

**Table 3.5***The criteria to measure firm international performance*

No	Authors	Criteria
1	Chang, Gong, and Peng, (2011)	Export sale growth, export profit.
2	St-Jean, LeBel, and Audet, (2012)	Export Growth of profit during the five previous years.
3	Homburg, researcher, and Wieseke, (2012)	Export profit and market success. However, comprehensive performance measurement system is conditional.
4	Carney, Gedajlovic, Heugens, Essen, Oosterhout (2011)	Revenue generated by international sale with one year time lag.
5	Hutzschenreuter and Horstkotte, (2012)	Export profit at the end of period.

### 3.5.2 Measures of entrepreneurial orientation

This research adapts questionnaires from Kropp, Lindsay, and Shoham (2008), and Lumpkin, Cogliser, and Schneider (2009) to determine entrepreneurial orientation. These questionnaires are with seven-point scales (from 1 to 7) as level of harmony and difference, following proposal of (Kropp, Lindsay, & Shoham, 2008; Altinay & Wang, 2011; Albacete-Sáez, Fuentes-Fuentes, & Bojica, 2011; Covin & Wales, 2012; Parkman, Holloway, & Sebastiao, 2012). Other scholars use one-dimensional concept, which come to factor analysis later. For example, Altinay and Wang, (2011); Renko, Carsrud, and Brännback, (2009); Albacete-Sáez, Fuentes-Fuentes, and Bojica (2011) imply three

factors; innovation, risk taking behavior, pro-activeness. This research considers EO with five factors; autonomy, risk taking, aggressiveness, innovativeness, pro-activeness.

At the early investigation of entrepreneurial accomplishment, risk taking and innovativeness implied eight items of EO (Lumpkin, Cogliser, & Schneider, 2009). Hence two extents of EO, autonomy, competitive aggressiveness, risk taking, innovation, and pro-activeness dimension. Moreover, (Wang & Fang, 2012) take into account the four factors of EO, namely market pro-activeness, competitive aggressiveness, firm risk taking, and firm innovativeness. The overlapping explanation becomes noticeable, such as explanation between market pro-activeness and innovativeness (Wang & Fang, 2012). Moreover, debate upon the dimensionality of EO still remains indecisive by all researchers.

Based on existing literature Table 3.6 presents the adapted survey items that will capture the all five dimensions of entrepreneurial orientation as independent variable.

**Table 3.6**  
*The elements of entrepreneurial orientation*

<b>Factors</b>	<b>Items</b>	<b>Sources</b>
Innovativeness	<ul style="list-style-type: none"> <li>• Creative in using resources.</li> <li>• Develop new product.</li> <li>• Emphasis on R&amp;D.</li> <li>• Many new lines of new products.</li> <li>• Changes in product.</li> </ul>	(Kropp, Lindsay, & Shoham, 2008); Lumpkin et al. (2009).

Risk-taking behavior	<ul style="list-style-type: none"> <li>• Proclivity for high risk project.</li> <li>• Bold and wide ranging act.</li> <li>• Obtain financing for new business</li> <li>• Without adequate resource.</li> <li>• Aim to high growth.</li> <li>• "Wait and see" posture.</li> <li>• Study problem carefully.</li> <li>• Quick to spend resource.</li> </ul>	<p>(Kropp, Lindsay, &amp; Shoham, 2008);</p> <p>(Gürbüz &amp; Aykol, 2009);</p> <p>(Lumpkin, Cogliser, &amp; Schneider, 2009).</p>
Proactive	<ul style="list-style-type: none"> <li>• Initiates actions to which competitors then respond.</li> <li>• A competitive "undo-the-competitors" posture.</li> <li>• The first business to introduce new products/services.</li> <li>• Get "right people" to identify global market trends.</li> <li>• Avoid competitive clashes.</li> <li>• To "follow the leader" in introducing new products.</li> </ul>	<p>(Kropp, Lindsay, &amp; Shoham, 2008);</p> <p>Lumpkin et al. (2009).</p>
Autonomy	<ul style="list-style-type: none"> <li>• Work autonomy.</li> <li>• Best result with autonomy decision.</li> <li>• Without constantly referring to supervisor.</li> <li>• Managers identify and select the opportunities globally.</li> </ul>	<p>Lumpkin et al. (2009)</p>
Aggressiveness	<ul style="list-style-type: none"> <li>• Very aggressive and intensively competitive to take business from the competition.</li> <li>• Make no special effort to take business from the competition.</li> <li>• Adopts a bold, aggressive posture to exploit potential opportunities.</li> </ul>	<p>Lumpkin et al. (2009)</p>

### ***3.5.3 Measures of social capital***

This research considers three elements of social capital, i.e. structure, trust and cognitive. The measures of social capital with three dimensions adapted from (Rouziès & Hlland, 2010). The measures include a single dimension of social capital (see Wu, Chang, and Chen (2008), Clopton (2011), and Gupta, Huang, and Yayla (2011), while some others draw attention to multiple aspect of social capital. Additionally, three factors were indicated by Wang, Zhao, Shi, and Yu (2012) entrepreneurial orientation, shared reserve management, and common goal. On the other hand, vision, cohesion, and trust are shared by While Gupta, Huang, Yayla (2011) as elements of social capital.

Some researchers with single dimension approach randomized the objects of measure. They carried out feature study to draw difference among the items. For example, three dimensions of social capital after factor analysis, i.e. structural dimension relation dimension, and cognitive dimension are considered by Wu, Chang, Chen (2008). It is derives from factor analysis. The entrepreneurs' bridge as the amount of structure holes is considered by Gupta, Huang, and Yayla (2011). It indicates the level of social capital. Cohesion as structural dimension is considered by Gupta, Huang, and Yayla (2011). It enables trustful association as relational dimension of social capital in a place. This fosters information and resource switch over, while shared vision is called as cognitive dimension with intention to promote common standards and consideration.



Based on existing literature Table 3.7 presents the adapted survey items that will capture the three main dimensions of social capital for this study.

**Table 3.7**  
*The elements of social capital*

<b>Factors</b>	<b>Items</b>	<b>Sources</b>
Structural	<ul style="list-style-type: none"> <li>• Work with others has enable to access to resources.</li> <li>• Know our clients in persons.</li> <li>• Close social relationship with our international clients.</li> <li>• Information among our international clients usually has a similar content.</li> <li>• Our international clients know each other.</li> <li>• Our global contacts maintain their relationship.</li> <li>• Need each other to accomplish the objectives.</li> <li>• Dependent on the other to be successful.</li> </ul>	<p>Rozies et al. (2010);</p> <p>Parra-Requena, Ruiz-Ortega and García-Villaverde (2012)</p>
Cognitive	<ul style="list-style-type: none"> <li>• Keep their promises.</li> <li>• High reciprocity among the colleagues.</li> <li>• Mutual trust at multiple levels.</li> <li>• Share organization vision.</li> <li>• Good understanding among our global partners</li> <li>• Mutual respect among the global partners.</li> <li>• Personal friendship</li> </ul>	<p>Lee Sukoco (2007);</p> <p>Li et al. (2012)</p>

	Cooperative attitude.	
Trust	<ul style="list-style-type: none"> <li>• Good at dealing with global customer.</li> <li>• Effective channels of communication among division.</li> <li>• Same amount of information among all division.</li> <li>• The business unit's successes are our department's success.</li> <li>• Loyalty from all staffs.</li> <li>• Common understanding on global customer</li> <li>• Common understanding on supplier.</li> <li>• Understand each other's needs and priorities.</li> </ul>	Rozies et al. (2010)

#### ***3.5.4 Measures of global mindset***

This research considers two elements of global mindset, i.e. intellectual intelligence and cultural intelligence. The measures of global mindset with two dimensions adapted from Van Dyne (2009). This concept has a long history in the field of cognitive psychology. In the recent times, in organizational theory, the focus is on understanding how people and organizations make sense of the world with which they work together. Hansen and Haas (2001) presented the theory of concentration, human activities, generally established through decision-making, is the skill to be familiar with and process information through one's personal awareness. Researchers in organizational manners,

marketing, and promotion call this process of information filtering as discerning revelation, selective concentration, selective understanding, and selective preservation (Hawkins, Mothersbaugh, & Best, 2007).

Both awareness and memory are selective managers will pay attention to solely a partial quantity of stupendous information. Which means appointed to associate incentive could be a purpose of the firm's awareness of whether or not it's worthy to listen to. This discernible reality, referred to as "perceptual security," refers to the thought that almost all corporations create a choice what messages they require to look at and what meanings they're going to assign to them. Understanding, conjointly referred to as "Meaning making" is associated to however humans perceive and create logic of the data around them. This can be a utility of the pattern, shaped by the distinctiveness of the motivation, the person, and also the scenario (Hawkins, Mothersbaugh, & Best, 2007).

"Mindset is the repository of meaning." (Redding, 2007). International frame of mind is develops when persons transform into more multifaceted meaning makers (Schaefer, 2009) and integrate numerous cultural frameworks into their meaning systems. Meaning making and learning is an experience, in which people expand constructs to appreciate what is happening around them (Clapp-Smith, 2009).

Based on existing literature Table 3.8 presents the adapted survey items that will capture the two main dimensions of global mindset for this study.

**Table 3.8***The elements of global mindset*

<b>Factor</b>	<b>Items</b>	<b>Sources</b>
Intellectual intelligence	<ul style="list-style-type: none"> <li>• Differentiation and integration</li> <li>• Managing uncertainty</li> <li>• Pattern recognition</li> <li>• Thinking globally</li> </ul>	Gupta and Govindarajan, (2002), Kozai Group, (2008), Redding (2007).
Cultural intelligence	<ul style="list-style-type: none"> <li>• Openness to learning</li> <li>• Behavioral flexibility</li> <li>• Emotional sensitivity</li> <li>• Cross-cultural understanding</li> </ul>	Moran et al., (2007), Mendenhall et al., (2007). (Levy, Beechler, Taylor, & Boyacigiller, 2007)



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### ***3.5.5 Measures of leadership behavior***

Leadership behavior was tested via 20 items that calculated six dimensions of Leadership Behavior. Those are planning, coordinating, leading, motivating, communicating, and collaborating across cultures and countries. The Global Leader of the Future Inventory (GLFI) was established by Forum Consulting Group, a leader in place of work erudition with 700 professionals globally. Forum associate help to international companies to implement approach, get to the bottom of problems, and improve firm performance. The GLFI instrument is designed for both self-assessment and as a 360-degree feedback tool, and it is available online (Marshal Goldsmith, 2015). Fourteen categories of leadership

behavior are evaluated including: planning worldwide, admiring variety, creating technical smart, building relationships, communicating management, creating vision, creating personality, strengthening individuals, coordinating private expertise, motivating productive discussion, shows honesty, leading change, expecting opportunities, ensuring customer satisfaction, and maintaining competitive benefit. Each behavior subscale has five items with a total of 72 items and three open-ended questions. Participants are asked to rate their strengths on the 14 behaviors and give suggestions on management usefulness in international surroundings. The questionnaire was administered to 200 participants, and the outcome show high trustworthiness and good strength of the device. 20 items were incorporated in this study to measure the 5 main dimensions of leadership behavior which are representing the international leadership qualities, although consent was obtained from the authors and the publisher for a customized use of the construct.

Therefore, for this study the questions have been developed from the dimensions proposed by García Barrionuevo, and Gutiérrez, (2012) and St-Jean-Pierre Gagnon (2013). García Barrionuevo, & Gutiérrez, (2012) suggested four leadership behaviors that can enable SMEs to be more competitive and resultantly demonstrate superior performance. He proposed the dimensions namely planning, coordinating, leading and motivating. St-Jean-Pierre Gagnon (2013) conducted a study in SMEs in Finland to explore the relationship between leadership behavior and firm international performance. They developed the items to measure firm's international performance with leadership behavior i.e. communicating, and collaborating across cultures and countries have been

introduced to the managers of the firm. To measure this construct, each question item consists of a statement to be measured on a 7-point Likert type scale.

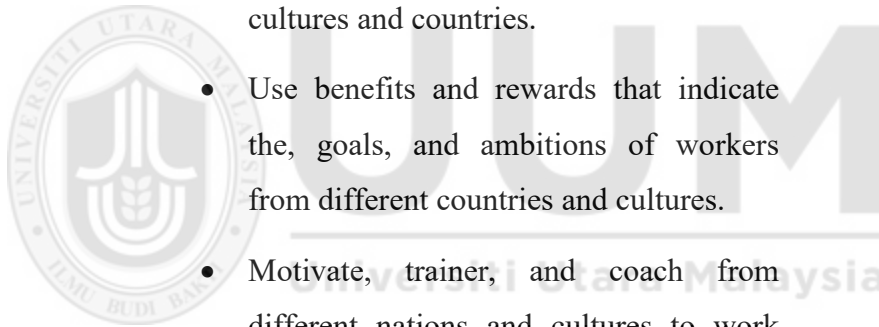
Based on existing literature Table 3.9 presents the adapted survey items that will capture the six main dimensions of leadership behavior as moderator in this study.

**Table 3.9**

*The elements of leadership behavior*

Factor	Items	Sources
Planning	<ul style="list-style-type: none"> <li>• Evaluate international opportunities, difficulties, threats and competitors in your business.</li> <li>• Evaluate financial, government, social, and cultural factors that affect your business.</li> <li>• Obtain information from units outside your home country.</li> </ul>	Nordin, (2012); Vaccaro et al, (2012)
Coordinating	<ul style="list-style-type: none"> <li>• Multiple opinions to take care of business issues.</li> <li>• Use manufacturing, promotion, or distribution techniques outside your house country.</li> <li>• Incorporate supplier systems through different countries.</li> <li>• Discuss details and decision-making with professionals in different areas around the globe.</li> </ul>	Zhang, (2011); Lu et al, (2011)

Leading	<ul style="list-style-type: none"> <li>• Develop business principles that signify diverse viewpoints between cultures and countries.</li> <li>• Allocate power &amp; assign tasks across culture and countries.</li> <li>• Select and enhance people from an international skills pool.</li> <li>• Take part in cross-cultural training and worldwide employee's development.</li> </ul>	Dewettinck, & van Ameijde,(2011)
Motivating	<ul style="list-style-type: none"> <li>• Regard, appreciate, and compliment the achievements of workers of different cultures and countries.</li> <li>• Use benefits and rewards that indicate the, goals, and ambitions of workers from different countries and cultures.</li> <li>• Motivate, trainer, and coach from different nations and cultures to work together to fulfill tasks and objectives.</li> </ul>	Muhlis, (2014); Wang et al. (2011)
Communicating	<ul style="list-style-type: none"> <li>• Seek the point of view of stakeholders from different cultures and countries.</li> <li>• Responds to modifications in business practices, cultures and country environments.</li> <li>• Participates in cross-cultural seminars, suggestion, and other international information sharing activities.</li> </ul>	Wang et al. (2011); Carmeli et al. (2011)



- Collaborating
- Work with representatives of Muhlis, (2014) government, social, cultural and public institutions in different countries.
  - Use systems across nations and societies to accomplish company objectives.
- 

### **3.6 Validity and Reliability**

#### **3.6.1 Validity test**

To what extent a measure can offer correct results through checking and complementary whether the questionnaires are comprehensible, this fact is checked by validity test. Webb and Achieve are the most accepted alignment methods. It compresses five dimensions; content, articulation, equity and fairness, pedagogy System applicability (Li & Sireci, 2013).

Modified questionnaires from other languages and culture need content strength for the local culture to make sure that the dimension properties still remain same as the original ones (Tuleja, Beamer, Shum, & Chan, 2011). The Urdu translation of questionnaires has been done by Jang newspaper Multan office which is renowned as best Urdu newspaper in Pakistan. The risk of using a questionnaire across culture is also there, which can bring



about different meaning and explanation. The research adopts two types of validity test to make sure that the questionnaires meet the validity condition, i.e. construct validity and content validity.

Assessing construct of test performance is called construct validation. Construct validation theory has emerged from development and assessment of quantitative trial to set down the scientific investigation. It is applicable to investigate constructs for which clear equipped criteria do not exist (Slaney, 2012). Constructs must be tailored into an exact cultural context to accomplish correctness in capacity. According to Tuleja, Beamer, Shum, and Chan (2011), conversion from one language to another language has the effects on the design and growth of questionnaires to be used across cultures. Burns and Bush (2009) proposed the procedure of phrasing question. This procedure tries to follow suggestions. Focusing on a single issue it needs to be taken into account. This action is taken in order to set the context properly for a question. Some questions are considered to have double issues. Secondly, the questions should be interpreted by the respondents in the same way. The trade jargon that needs to be avoided is the third suggestion. Hence, this research tries adapted questionnaires with grammatical sentences as simple as possible. Since apparent social standard considerably affects the enthusiasm of respondents to self-report unwanted behavior, the wordings of questions are considered as the local social norm, i.e. lenient wording and avoiding ironic remarks.

Furthermore, the instrument should also ensure content validity. It should ensure that measures are suitable and representative of the concept to be measured (Babbie, 1990;

Sekaran & Bougie, 2010). The instrument was sent to panel of experts (lecturers in the relevant academic field and industry representatives) in order to get feedback regarding content validity. Moreover, this study employed exploratory factor analysis to measure the construct validity. Factor analysis confirmed the underlying dimensions on each construct relevant to the scope of the study. Cronbach alpha was used to measure the reliability of latent constructs.

### **3.6.2 Reliability test**

Reliability test aims to examine consistency level of proposed measures. Similar results under similar conditions indicate a measure with high determination. Reliability is defined as the proportion of the true discrepancy to the total discrepancy of the measurement which does not contain the discrepancy of the accidental measurement mistake. This definition is presented by Vehkalahti, Puntanen, and Tarkkonen (2006). Secondly, both measurements diverge from 0 to 1 and value superior than 0.6 is considered as traditional consistency. The reason lies behind the resemblance measurement level refers to the ratio of the true variable to the total difference of measurement (Byrne, 2013).

The most admired method to test reliability as compared to other methods, i.e. CR and AVE is Cronbach's alpha. Cronbach's alpha appears to be compound consistency focus on loading of pointer variable and error variable, while Cronbach's alpha believe variance of indicator. Individual items reliability is Cronbach's alpha, while composite

reliability examines the construct or dormant variable. Cronbach's alpha is known as a traditional reliability measure under the postulation that all factor loadings are forced to be one and the same, and all error variances are constrained to be equal. Raykov (1998) indicated another idea that Cronbach's alpha may over or underrated reliability. This may become stern when the test is multi-dimensional. Then, CR is developed to deal with multi-dimensional data. If the value of AVE is less than 0.5 that means discrepancy of measurement error is greater than variance of construct, then it shows that a construct has high validity. This means that convergent validity of the construct is questionable (Byrne, 2013).

### **3.7 Pre and Pilot Test**

Pilot test for the set of questionnaire is required to standardize a particular population in mind. This is about investigation of the translated questionnaire to make sure that the questionnaires of survey are comprehensible and easy to fill in. This research considers the KISS principle (keep it short and simple) for the better understanding of items asked from owner-managers of SMEs. Short and simple questions can help the respondent to be more practical paraphernalia (Wendel-Vos, Schuita, Sarisc, & Kromhout, 2003). The test is not only important to evaluate the management of survey and recognize response of the target group but also to calculate if there are any noteworthy differences due to item wording (Schweizer, Rauch, & Gold, 2011). The test comprises into two steps, i.e. questionnaire calibration step (pre-test) and questionnaire distribution (pilot test). The respondents are expected to be able to comprehend and fill in the questionnaires between

20 and 30 minutes. At the first time round, this pretest involved two professors from College of business to make sure that the questionnaires are appropriate and related to local SMEs. Hence, some queries if were changed or calibrated after the pilot test according to their proposition.

This test also found difficulties to get a simple and an correspondent term in local language when the questionnaires come across certain concepts in English during the process of survey, such as a "live-and-let-live posture", "undo-the-competitors posture", The evidence provided by Yang and Le (2008) is in line with that consciousness that needs to be taken into account when incongruence between theoretical notion and observed group or culture in the research field work.

At the stage, the investigation conducted pilot test. This research employs in-self management modes. The questionnaires were circulated among 100 respondents with random selection sample through mail. After that, the researcher made a call to make sure that questionnaire comes to the right person (owner, manager) of the firm and to ensure that respondents understand all items within the questionnaires. After a week, the researcher followed instructions and took the questionnaires back. It took three months to get response from 100 respondents the research observed that 35 respondents gave correct response.

The next step is about reliability test. This research conducted Cronbach's alpha to make sure that the data is consistent. Cronbach's alpha considers variance of indicator i.e., namely individual items reliability with assumption that all factor loadings are constrained to be equal, and all error variances are constrained to be equal. The test measures ratio of the true variable to the total variance of measurement, which vary between 0 and 1. If its value greater than 0.6 then it considers acceptable reliability (Vehkalahti, Puntanen, & Tarkkonen, 2006). The results of reliability test indicated that all observed data meets the assumption of data consistency.

**Table 3.10**

*The result of reliability test (pilot study)*

No	Variable	Number of items	Cronbach's alpha
1	Firm international performance	8	0.866
2	Entrepreneurial orientation	27	0.783
3	Social capital	24	0.931
4	Global mindset	18	0.735
5	Leadership behavior	20	0.939

It appears that all items meet the level of reliability test. After running reliability test using SPSS for Windows, it was found that all the measures had a high reliability standard ranging from 0.72 to 0.95. This is in line with the criterion that a Cronbach's alpha coefficient of 0.60 is considered an average reliability, while a coefficient of 0.70 or higher indicates that the instrument has a high reliability standard (Hair Jr. et al., 2010; Nunnally, 1978; Sekaran & Bougie, 2010). Both social capital and leadership behavior

came up with the highest level of reliability with value greater than 0.93 followed by firm international performance. Thought global mindset and entrepreneurial orientation had the lowest levels, but that were still greater than 0.7 and considered as above average reliability (see Table 3.10).

### **3.8 Data Collection Procedure**

The sample selection process from the numbered list of all the observed data uses an arbitrary number in the table of random numbers provided by computer program. The number indicated firms correspond assigned to any of the firm in the population, then that firm is included in the sample. The table with 550 random numbers was generated with a random number generator. The process produces random numbers within the range of 1 to 550 from statistic web, namely <http://stattrek.com/statistics/random-number-generator.aspx>. Stat Trek's Random Number Generator uses a statistical algorithm to produce random numbers.

The research employs self-administration model. Self-administration model is preferred since the absence of a human interviewer tends to increase willingness to provide honest answers (Chang & Krosnick, 2010). This means the questionnaires had been distribute to the random selected samples. After a week, the researcher followed up and brought the questionnaires back. To deal with high possibility for low response rate and inability to control the response rate, this research considers proactive approach to the respondents.

In this step, surveyor made a call to the respondent to make sure that questionnaire comes to the right person (decision maker) and to ensure that respondents understands all items within the questionnaires.

The research expects that the willingness of respondents to fill the questionnaires is voluntary, since there has been much dispute over incentives. Gómez-Limón and Sanchez-Fernandez (2010) provided evidence that incentives can be fruitful at improving response and retention rates, if offered in manner not contingent with completion of the questionnaire (Pre-incentives). However, the impact of rewards provided on situation of finishing the set of questions on reaction amount is nil, whereas this does not happen on retention rate. According to Zagorsky and Rhoton (2008), offering rewards to participants, who formerly rejected to join in the last survey round, significantly boost reaction prices, and results in longer discussions and more items to be responded to. However, offering monetary rewards to formerly willing participants revealed a mixed impact on reaction prices, interview times, and items responded to.

### **3.9 Techniques of Data Analysis**

Techniques of data analysis are the procedure and statistical tools by which researchers analyses data, test research hypotheses and subsequently refine theories. The Partial Least Squares Structural Equation Modeling (PLS-SEM) approach was adopted for data analysis. This analysis is under positive assumptions of linearity, homo scedasticity, non-

autocorrelation, and non-multicollinearity (Gujarati, 2012). This research follows some assumptions as bellow mentioned, to make sure that the technique meets such assumptions.

### ***3.9.1 Non-response bias***

Firm international performance analysis needs to identify whether non-response error prompts bias in model estimation. The failure to obtain relevant survey data happens if relevant respondents in the observed sample refuse to participate, or the survey has no access to those respondents. Hence, response rate is often considered as risk of non-response error. However, non-response bias is not about failure to accomplish sampling frame, but failure to get survey measures on a sampling unit (Montaquila & Olson, 2012). The common rule of the thumb suggests evaluating potential non-response bias if the response rate is less than 50%. However, increased response rate doesn't imply on lower risk level of response bias error (Nesterkin & Ganster, 2012). Non-response bias occurs when there is difference of answers between respondent and non-respondent, which can be formulated.

The risk of non-response bias needs to be taken into account before data collection, during data collection, and after data collection. Before data collection, pretest should be taken in place to minimize the risk of non-response error through maximizing the response rate. Bollmer, Krenzke, Bitterman, Carlson, and Broene (2012) suggested the



pattern of nonresponse from similar surveys. For example, Anseel, Lievens, Schollaert, and Choragwicka (2010) indicated that survey with top executive as respondents has lower response rate than consumers or managers, then suggest researchers to consider the relevance of survey when surveying top executives and by providing incentives to unemployed respondents. In addition, Chawla and Hazeldine (2012) highlighted that socio culture, such as gender and ethnicity also contribute to the level of response rate. Hence, pretest should be in place to make sure that the survey runs well to reach relevant respondents. During the data collection, the survey should be able to meet proportional distribution to all difficulty levels in reaching samples. The survey should highly consider flexibility of the respondents to answer the questionnaires and convince that research follows the confidentiality principle.

To test non-response bias, some values from all potential participants need to be compared to survey results from answered questionnaires. It is expected that the result has no significant difference, which indicates non-response bias. This test aims to make sure that responding participants represent the eligible observed population (Derby, Haan, & Wood, 2011). There are three weighting adjustment techniques which are commonly used to identify non-response error, i.e. post-stratification and propensity score weighting to deal with unbalanced selection probabilities, non-coverage error, non-response error and sampling error from known factors in the Population (Park & Fesenmaier, 2012).

### **3.9.2 Normality test**

The traditional normal linear weakening assumes that each trouble has normal distribution. If troubles are not usually dispersed, the t-test and F-test are still applicable asymptotic in big samples, but not in small samples.

### **3.9.3 Linearity test**

Firm international performance should be a linear purpose of social capital, entrepreneurial orientation and global mindset. This means that regression curve should be a straight line. Secondly, linearity idea refers to a linear purpose of parameter, which means that the parameter should be raised to the first Power.

### **3.9.4 Multicollinearity**

No multi co-linearity means any of the dependent variables as precise linear combinations of the remaining repressor in the model. Therefore, VIF tolerance was measured to find multicollinearity.

### ***3.9.5 Homo scedasticity***

Firm international performance which is dependent variable if projected with independent variables it should have same discrepancy. The assumption of homo-scedasticity or equal variance indicates this issue. This means all worth of dependent variable matching to a variety of independent variables should be equally reliable. The firm international performance values should be closely distributed around their means. The high level of homo-scedasticity shows that uneven variance (heteroscedasticity) implies random discrepancy of firm international performance corresponding from the dependent variables.

### ***3.9.6 Auto co-relation***



This fact is assumed by regression. Autocorrelation or sequential correlation refers to a state that orderly pattern occurs within divergence of FIP values. Auto co-relation was checked by Durbin-Watson test.

### ***3.9.7 Smart partial least square***

SEM-PLS is used in this research. SEM-PLS means Structural equation model-Partial Least Square. It is used for numerical and statistical analysis and hypothesis testing. The substitute approach of Structural-equation model like covariance structure analysis which

is CSA SEM. CSA-SEM is well known to be the first creation of regression-based approach with skills to estimate parameters of structural equation model through minimized covariance matrices. Second generation is PLS-SEM which is estimating partial model relationship. This estimation is through maximizing the discrepancy with an attractive succession of partial least square. This implies PLS-SEM is more pertinent for application where well-built assumption of multi-variant normality can't be completely met (Basilevsky, 2009; Hair, Sarstedt, Ringle, & Mena, 2012).

The rationale to use PLS-SEM approach is to accomplish the supposition of familiarity. Hair, (2007) argued that PLS-SEM is still applicable to handle thoughtful and determining actions without recognition concerns. This approach focuses on forecast with re-sampling process and non-parametric assessment criteria to study the competence of incomplete model organization. The reputation of PLS-SEM springs from the following characteristics. This idea is described by Henseler, Ringle, and Sinkovics (2009). First, the approach allows unhampered addition of structural equation representation with thoughtful and influential dimensions. Secondly, small Wimple size is still good enough without leading to inference problem, even with composite model. Third PLS can be deal with highly tilted dormant distributions (Hair, Sarstedt, Ringle, & Mena, 2012).

Therefore, the current study applied Smart partial least square to test measurement and structural models. A measurement model clarified the reliability and validity of the constructs although a structural model was used to carry out bivariate correlation analysis in addition to regressions analysis simultaneously to explain relationships and their

effects between constructs under the study. Further importantly, PLS algorithm and bootstrapping determined the moderating effect of Leadership behavior on entrepreneurial orientation, social capital and global mindset with the firm international performance.

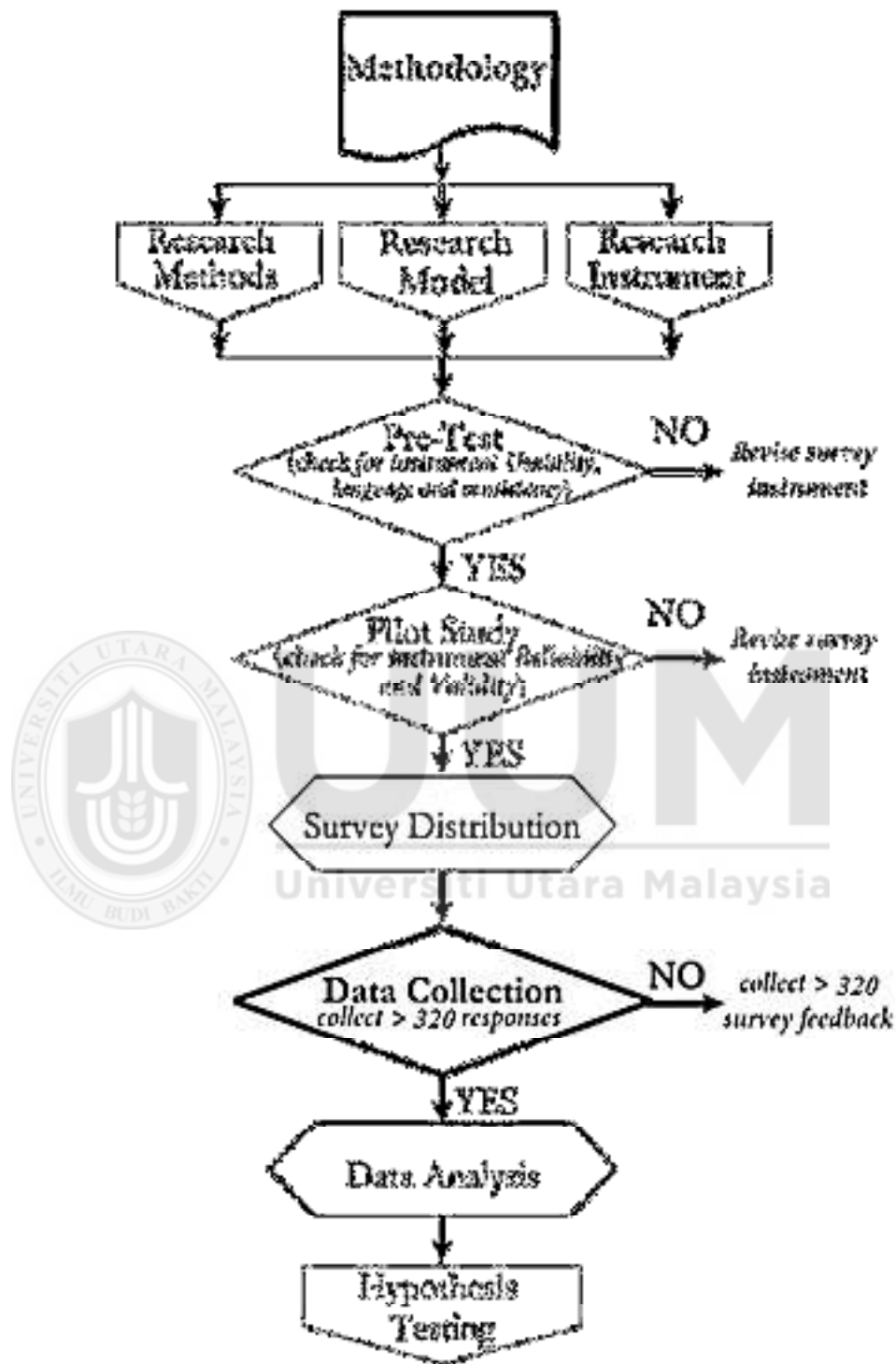
### **3.10 Summary**

This chapter explains the research methodology employed in this study. The investigation is about quantitative technique with small and medium enterprises as unit of analysis that uses self-administered questionnaires based survey method for data collection. The data has been collected by simple random approach, based on the list of companies who are manufacturing and export sport goods provided by Sialkot chamber of commerce and industries (SCCI). The process produces random numbers within the range of 1 to 550 from statistic web, namely <http://stattrek.com/statistics/random-number-generator.aspx>. Stat Trek's Random Number Generator uses a statistical algorithm to produce random numbers. Personally delivered questionnaires were used as a primary instrument for data collection. After conducting validity and reliability test, data analysis used regression with Smart partial least square, which is predictable to approximation the parameters and goodness of fit model. The data was analyzed by employing descriptive and inferential statistics. The subsequent chapter entails the discussion about data analysis and findings of the study.

## CHAPTER FOUR: ANALYSIS AND FINDINGS

### 4.1 Introduction

This chapter offering the results of data analyzed using PLS-SEM path modeling. The chapter begins with the initial data screening and preliminary analysis. Results of the descriptive statistics for all the latent variables are reported. Next, the main results of the present study are presented in two main sections. In section one; the measurement model was assessed to determine the individual item reliability, internal consistency reliability, convergent validity and discriminant validity. Consequences of structural model are stated in segment two like significance of the path coefficients, level of the R-squared values, effect size, and predictive relevance of the model has described. Lastly, results of corresponding PLS-SEM analysis, which scrutinizes the moderating effect of leadership behavior on the structural model, are presented. The process of developing the research instrument and the analytical techniques used to test the hypothesis as illustrated in Figure 4.1.

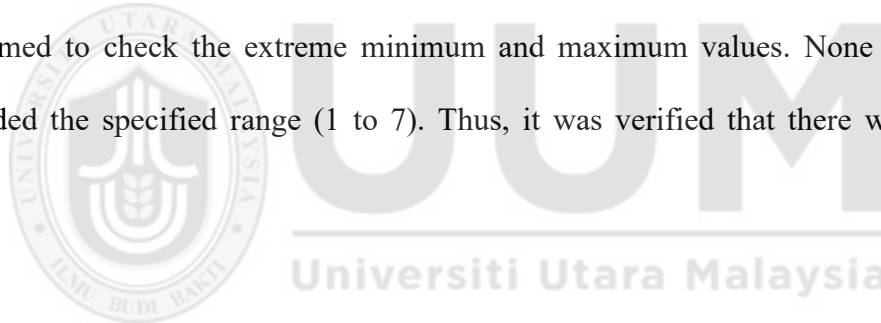


**Figure 4.1**  
*Thesis Research Methodology Flowchart*

The selection of research method and instrument was followed by instrument testing as Pre-Pilot and Pilot studies. The results from the Pilot study shaped the main study data collection.

## **4.2 Data Screening**

In order to verify that the data was clean and there were no errors in the coding process, various procedures were carried out. The data was thoroughly screened to identify any errors in coding process. Data for all items was screened and frequency tests were performed to check the extreme minimum and maximum values. None of the values exceeded the specified range (1 to 7). Thus, it was verified that there were no coding errors.



### ***4.2.1 Response rate***

In this study, a total of 550 questionnaires were distributed to the owner managers of sport industry Pakistan that is situated in Sialkot. In an attempt to achieve high response rates, several phone call reminders (Salim Silva, Smith, & Bammer, 2002; Traina, MacLean, Park, & Kahn, 2005) and SMS (Sekaran, 2003) were sent to respondents who were yet to complete their questionnaires within four weeks. Therefore, the outcomes of these attempts yielded 360 returned questionnaires, out of 550 questionnaires that were distributed to the targeted respondents.



Hair, Black, Babin and Anderson (2010) stated that if there is more than 15% of the missing data for a given respondent, the case should be deleted as long as sample is adequate. There were 32 out of 360 questionnaires which were having more than 15% of missing data. Thus, all of those 32 observations were excluded for further analysis. Hence, there were 328 complete responses as mentioned in table 4.1.

**Table 4.1**

*Response rate of the questionnaires*

<b>Response</b>	<b>Frequency</b>
No. of distributed questionnaires	550
Returned questioners	360
Cases with missing values more than 50 %	32
Valid responses for further analysis	328

#### **4.2.2 Missing value analysis**

In the original SPSS dataset, 18 values were randomly missed, specifically, entrepreneurial orientation had (3) and social capital had (4) missing values. Likewise, global mindset had (1) and leadership behavior had (7) missing value and the firm international performance had (3) missing values found. Although there is no acceptable percentage of missing values in a data set for making a valid statistical inference, researchers have generally agreed that missing rate of 5% or less is non-significant (Schafer, 1999; Tabachnick & Fidell, 2007). Furthermore, researchers have suggested

that mean substitution is the easiest way of replacing missing values if the total percentage of missing data is 5% or less (Little & Rubin, 1987; Raymond, 1986; Tabachnick & Fidell, 2007). Hence, in this study, missing values were replaced using mean substitution (Tabachnick & Fidell, 2007). Table 4.2 shows the total of randomly missing values in the present study (see Appendix B for SPSS outputs).

**Table 4.2**

*Total and Percentage of Missing Values*

Latent Variables	Number of Missing Values
EO	3
SC	4
GM	1
LB	7
FIP	3
Total	18

#### ***4.2.2 Dealing with outliers***

Outliers are defined by Barnett & Lewis, (1994) “as observations or subsets of observations which appear to be inconsistent with the remainder of the data”. In a regression-based analysis, the presence of outliers in the data set can seriously distort the estimates of regression coefficients and lead to unreliable results (Verardi & Croux, 2008). In order to detect any observation which appears to be outlier the SPSS value labels as a result of wrong data entry, first, frequency tables were tabulated for all

variables using minimum and maximum statistics. Based on this initial analysis of frequency statistics, there was no any value found to be outside the expected range.

Furthermore, the data were examined for univariate outliers using standardized values with a cut-off of  $\pm 3.29$  ( $p < .001$ ) as recommended by Tabachnick and Fidell (2007). Following Tabachnick and Fidell's (2007) criterion for detecting outliers, none of the case was identified using standardized values as potential univariate outliers. Besides using standardized values to detect univariate outliers, multivariate outliers were also detected using Mahalanobis distance ( $D^2$ ). Tabachnick and Fidell (2007) defined Mahalanobis distance ( $D^2$ ) as "the distance of a case from the centroid of the remaining cases where the centroid is the point created at the intersection of the means of all the variables". Based on 5 observed variables of the study, the recommended threshold of chi-square is 143.34 ( $p = 0.001$ ). Mahalanobis values that exceeded this threshold were deleted. Following this criterion, eight multivariate outliers (i.e., 09, 28, 36, 68, 167, 196, 272, and 307) were detected and subsequently deleted from the dataset because they could affect the accuracy of the results. Thus, after removing eight multivariate outliers, the final dataset in this study comprises of 320 observations.

#### ***4.2.3 Test of non-response Bias***

Malhotra, Hall, Shaw, and Oppenheim (2006) claims that the differences between early and late respondents can seriously affect the results of the study. As discussed in the

previous chapter, the survey for data collection was initiated on February 11, 2015 and was completed on June 15, 2015. Questionnaires were personally delivered to the respondents. However, the respondents were asked to complete the questionnaires within three days. The purpose was to provide them enough time to respond the questionnaire items. There were 278 early respondents who responded within the stipulated time of three days, whereas 42 respondents were categorized as late respondents who took more than one month to respond. They responded after receiving the reminder letters and phone calls. According to Churchill and Iacobucci, (2004) late respondents can be categorized as non-respondent bias because they would not have responded without frequent reminders and follow-up. In order to find out any significant differences between early and late respondents, independent sample T-test was used to test non-response bias. T-test was performed for all the variables used in the study. Results of the T-test are given as under in table 4.3.

**Table 4.3**

*Test of non-response bias*

Variables	Period	N	Mean	Std. Deviation	Std. Error Mean	Levene's Test for Equality of Variances	
						F	Sig.
FIP	early response	278	4.53	.956	.057	.394	.531
	late response	42	4.28	.929	.143		
EO	early response	278	4.39	.383	.023	3.325	.069

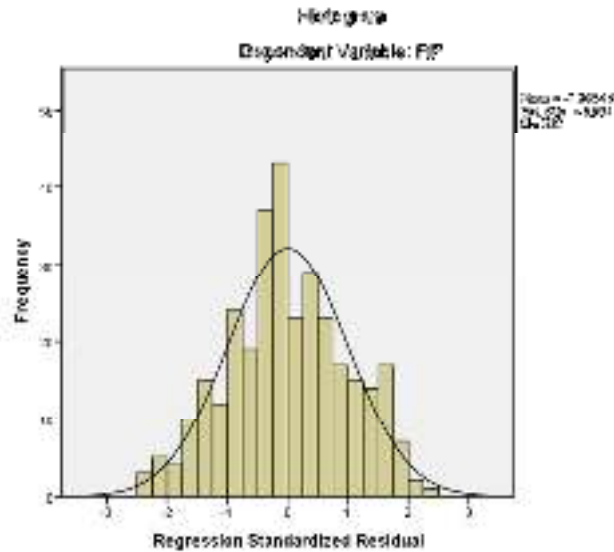
	late response	42	4.35	.500	.077		
SC	early response	278	4.28	.674	.040	.012	.913
	late response	42	4.49	.699	.108		
GM	early response	278	4.58	.849	.051	1.298	.255
	late response	42	4.79	.995	.154		
LB	early response	278	4.80	.518	.031	2.065	.152
	late response	42	5.00	.619	.095		

Results of the t-test showed no significant differences as it can be seen in table 4.3, there are no significant differences in responses between early and late respondents with respect to entrepreneurial orientation, social capital, global mindset, leadership behavior and firm international performance. Therefore, the results do not indicate significant non-response bias between early and late respondents.

#### ***4.2.4 Assessment of normality***

Previous research (e.g., Cassel, Hackl, & Westlund, 1999; Reinartz, Haenlein, & Henseler, 2009; and Wetzels, Odekerken-Schroder, & Van Oppen, 2009) has traditionally assumed that PLS-SEM provides accurate model estimations in situations with extremely non-normal. However, this assumption may turn to be false. Recently, Sarstedt, Ringle,

Mena, & Hair, (2012) suggested that researchers should perform a normality test on the data. Highly skewed or kurtotic data can inflate the bootstrapped standard error estimates (Chernick, 2008), which in turn underestimate the statistical significance of the path coefficients (Dijkstra, 1983; Sarstedt, Ringle, Mena, & Hair, 2012). Against this background, the present study employed a graphical method to check the normality of data collected (Tabachnick & Fidell, 2007). Field, (2009) suggested that in a large sample of 200 or more, it is more important to look at the shape of the distribution graphically rather than looking at the value of the skewness and kurtosis statistics. Field, (2009) added that a large sample decreases the standard errors, which in turn inflate the value of the skewness and kurtosis statistics. Hence, this justified the reason for using a graphical method of normality test rather than the statistical methods. Following Field's (2009) suggestion, in the present study, a histogram and normal probability plots were examined to ensure that normality assumptions were not violated. Figure 4.1 depicts that histogram of data collected for the present study. The histogram follow normal pattern since all the bars on the histogram were closed to a normal curve. Thus, Figure 4.1 indicates that normality assumptions were not violated in the present study.



**Figure 4.2**  
*Histogram and Normal Probability Plots*

#### **4.2.5 Assessment of multicollinearity**

Ahead of proceeding to further evaluation of data using advance multivariate analysis, that was essential to analyses the issue of multicollinearity among variables. Multicollinearity is a serious difficulty that refer the higher degree of inter correlation between independent variables, in the event of occurrence of multicollinearity, computation of impact of single variable becomes difficult which usually causes over estimation of independent variables. One of the most essential tests of multicollinearity is usually the inspection of bi-variate correlation (Berry & Feldman, 1985). If the value of relationship coefficient exceeds 0.90 among independent variables, it shows the occurrence of multicollinearity (Hair et al., 2006, 2010). Table 4.4 demonstrates the inter-correlations among key variables used in the research. From the results, it is verified that

there is no issue of multicollinearity as the values of correlation coefficient ranges from 0.519 to 0.651 and are well below the threshold value of 0.90.

**Table 4.4**  
*Correlations among the exogenous variable*

		EO	SC	GM	LB
EO	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	320			
SC	Pearson Correlation	.189**	1		
	Sig. (2-tailed)	0.001			
	N	320	320		
GM	Pearson Correlation	.453**	.430**	1	
	Sig. (2-tailed)	0	0		
	N	320	320	320	
LB	Pearson Correlation	.344**	.459**	.807**	1
	Sig. (2-tailed)	0	0	0	
	N	320	320	320	320

Note: EO=entrepreneurial orientation, SC=social capital, GM=global mindset, LB=leadership behavior

### 4.3 Demographic Profile of the Respondents

Demographic characteristics of the respondents are presented in this section. A look at profile of respondent's shows that they all are male and they have diverse characteristics



in terms of age, no of employees and education. In terms of firms' age, majority of firms (70.4 %) were above 11 years old; whereas, 30.6% of firms were doing business for less than 11 years. Further background of firms' age, employees and education is given below in table 4.5.

**Table 4.5**  
*Summary of Respondents' Demography*

<b>Item</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Firm Background</b>		
1 -5 (years)	14	4.4
6 -10 (years)	86	26.9
11 - Above (years)	220	68.8
<b>Position</b>		
Owner – Manager	47	14.7
Owner	97	30.3
Manager	152	47.5
Asst. Manager	24	7.5
<b>Number of employees</b>		
1 – 50	1	.3
51 – 150	26	8.1
150 – 250	241	75.3
250 – Above	52	16.3
<b>Gender</b>		
Male	320	100.0
Female	0	0
<b>Education</b>		

Post graduate	141	44.1
Undergraduate	138	43.1
High school	40	12.5
primary school	1	.3

#### 4.4 Evaluation of PLS-SEM Results

In this part presentation of the factor loading results are reported. As previously mentioned in chapter three, all the items were adapted from previous studies. This study evaluates the reliability and validity of the construct. The outer model implies the unidimensionality of the study variables, in the meaning of factor loading. Then, after confirming the reliability and validity of the construct measure, the structural models were assessed and the relationships between the latent variables were examined.

After checking and screening of the data as described in the previous discussion, the next step was to assess the outer model and inner model (Vinzi, Chin, Henseler, & Wang, 2010; Hair, Sarstedt, Ringle, & Mena, 2012). PLS-SEM was used in this study to evaluate the outer model (measurement model) and the inner model (structural model). In other words, PLS-SEM was used to analyze the direct, moderating results of this study. SmartPLS 3.0 by Ringle, Hair, Hult, and Sarstedt, (2014) was used to determine causal links among the constructs in these theoretical models. Before conducting the PLS-SEM analysis, there is a need to configure the model in a way that it may clearly be understood. To do this, indicators should be clarified to establish which indicators are

formative if any, and which are reflective. It is essential to note that model configuration is vital because approach in testing reflective measurement model is quite different from approach used in testing formative measurement model (Hair, Ringle, & Sarstedt, 2013; Lowry & Gaskin, 2014).

In this study, all the indicators of latent variables are reflective. Specifically, the latent (unobserved) variables and the indicator (observed) variables are reflective rather than formative variables. Furthermore, the analysis did not involve testing second-order structures that contain two layers of components. In other words, the study constructs in the inner model were treated as first order constructs. In terms of the sequence and relationship among the constructs, the study has three independent variables (EO, SC, and GM), and one moderating variable leadership behavior. The endogenous variable in this study are dependent variable that is firm international performance.

PLS model is generally analyzed and interpreted in two phases; first measuring the outer model for validity and reliability and second, analyzing the structure model by R square, effect size, and predictive model relevance. In the first phase, properties of multi-item constructs are measured with the inclusion of convergent validity and discriminant validity. Following the second phase, the study hypotheses testing is conducted through the bootstrapping method.

#### ***4.4.1.1 The Measurement Model***

Prior to hypotheses testing, the PLS-SEM was employed to assess the measurement model. The following phases, suggested by Anderson and Gerbing, (1988) were followed. This process confirms construct validity. Construct validity can be assessed through the construct's content validity, convergent validity, and discriminant validity.



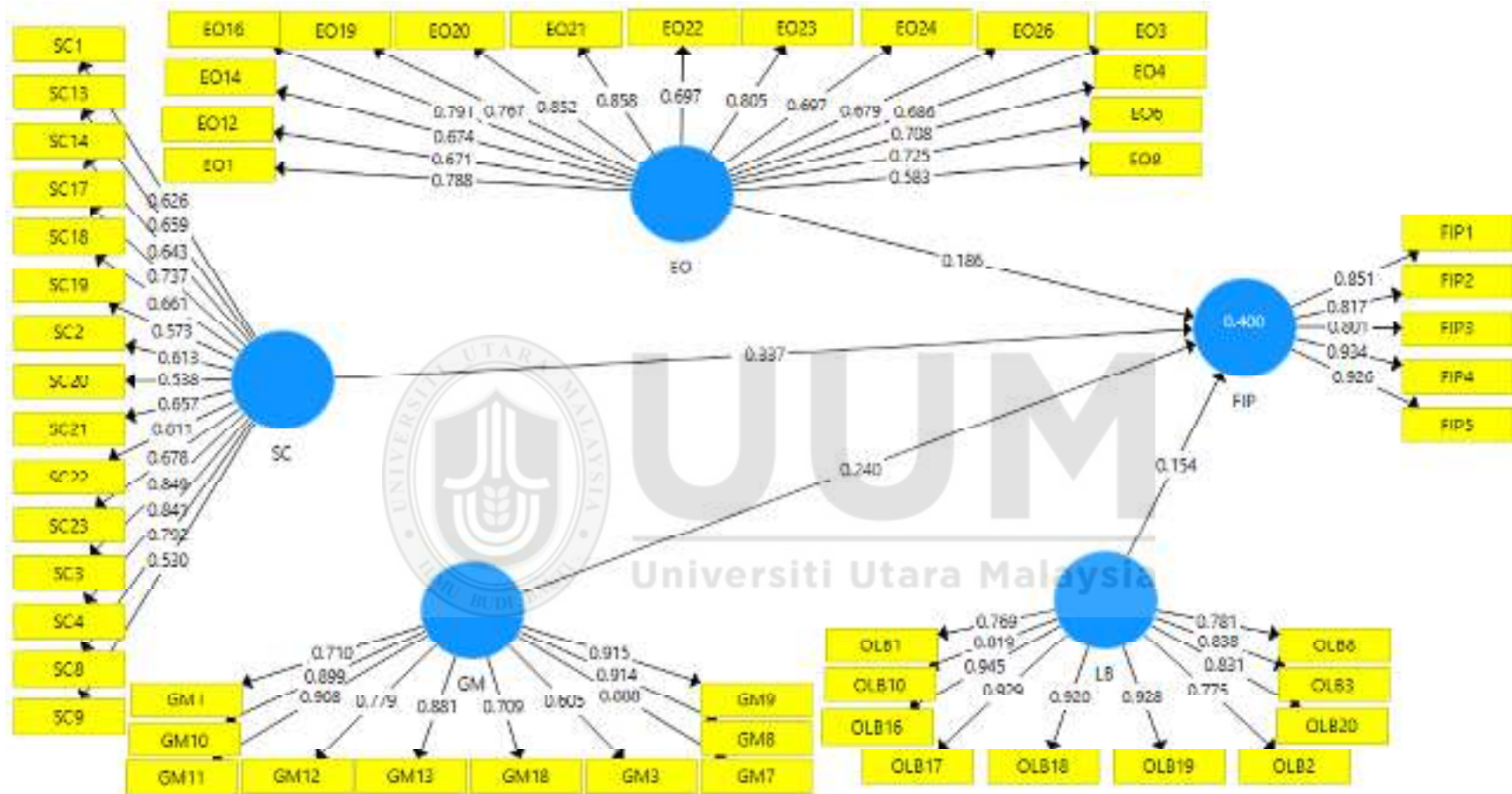


Figure 4.3

*Measurement Model*

#### 4.4.1.2 The Discriminant Validity Analysis

In order to ensure further, it is important to establish construct validity and the discriminant validity of outer model. Hence, prior to hypotheses testing, discriminant validity was ensured. Discriminant validity refers to the level to which items can differentiate among different constructs in which it shows that the items of different constructs are not overlapping. Additionally, discriminant validity of measures share variance between each individual construct and hence, it should be higher than the variance shared among specific constructs (Compeau, Higgins, & Huff, 1999).

**Table 4.6**  
*Discriminant Validity Matrix*

latent variable	1	2	3	4	5
<b>FIP</b>	<b>0.72</b>				
<b>EO</b>	0.31	<b>0.86</b>			
<b>GM</b>	0.05	0.39	<b>0.87</b>		
<b>LB</b>	0.12	0.46	0.84	<b>0.86</b>	
<b>SC</b>	0.20	0.42	0.08	0.24	<b>0.73</b>

FIP=firm international performance, EO=entrepreneurial orientation, SC=social capital, GM=global mindset, LB=leadership behavior

In this study, the discriminant validity of measures was established through Fornell and Larcker (1981) method, where the square root of AVE for the entire constructs was replaced at the diagonal elements of the correlation matrix as demonstrated in Table 4.6.

Seventeen items were dropped to enhance the result and those items are no more in this study. All the other values are less than 0.90 and hence, the outer model's discriminant validity was established as suggested by Hair, Black, Babin, and Anderson (2010). The above results of the outer model's construct validity ensure that it is appropriate to test the proposed hypotheses.

#### 4.4.1.3 The Construct Validity

The construct validity and content validity is defined as the level to which the proposed items suitably measure the concept of the constructs that they are designed to measure (Hair, Black, Babin, & Anderson, 2010). Stated differently, items measuring a construct should load higher on their respective constructs. Hence, items are considered through a thorough literature review. On the basis of factor loading, the entire items were correctly loaded to their constructs. The content validity of the measurement is presented in Table 4.7. It is evident from the table, that the factor loadings accepted as valid no of items so that the content validity is confirmed (See Tables 4.7 and 4.8).

**Table 4.7**  
*Factor Analysis and loadings of the Items*

Items	EO	FIP	GM	LB	SC
EO1	<b>0.788</b>	0.162	0.144	0.198	0.220
EO12	<b>0.671</b>	0.174	0.041	0.009	0.069
EO14	<b>0.674</b>	0.183	0.028	0.105	0.263
EO16	<b>0.791</b>	0.300	0.050	0.127	0.144

EO19	<b>0.767</b>	0.221	0.135	0.127	0.057
EO20	<b>0.852</b>	0.157	0.032	0.112	0.168
EO21	<b>0.858</b>	0.158	0.024	0.078	0.134
EO22	<b>0.697</b>	0.332	0.011	0.015	0.097
EO23	<b>0.805</b>	0.299	0.001	0.007	0.050
EO24	<b>0.697</b>	0.148	0.077	0.033	0.107
EO26	<b>0.679</b>	0.267	0.013	0.150	0.311
EO3	<b>0.686</b>	0.058	0.089	0.039	0.066
EO4	<b>0.708</b>	0.178	0.067	0.106	0.088
EO6	<b>0.725</b>	0.299	0.180	0.189	0.103
EO8	<b>0.583</b>	0.048	0.073	0.128	0.128
FIP1	0.160	<b>0.851</b>	0.281	0.374	0.393
FIP2	0.330	<b>0.817</b>	0.414	0.461	0.437
FIP3	0.254	<b>0.801</b>	0.430	0.431	0.283
FIP4	0.312	<b>0.934</b>	0.286	0.375	0.360
FIP5	0.259	<b>0.926</b>	0.243	0.353	0.323
GM1	0.020	0.297	<b>0.710</b>	0.689	0.058
GM10	0.116	0.376	<b>0.899</b>	0.928	0.151
GM11	0.020	0.240	<b>0.908</b>	0.650	0.125
GM12	0.092	0.348	<b>0.779</b>	0.688	0.030
GM13	0.002	0.327	<b>0.881</b>	0.564	0.016
GM18	0.019	0.409	<b>0.709</b>	0.802	0.073
GM3	0.014	0.344	<b>0.605</b>	0.723	0.061
GM7	0.091	0.358	<b>0.888</b>	0.853	0.177
GM8	0.234	0.256	<b>0.914</b>	0.341	0.133
GM9	0.123	0.321	<b>0.915</b>	0.543	0.232
LB1	0.054	0.408	0.505	<b>0.769</b>	0.318



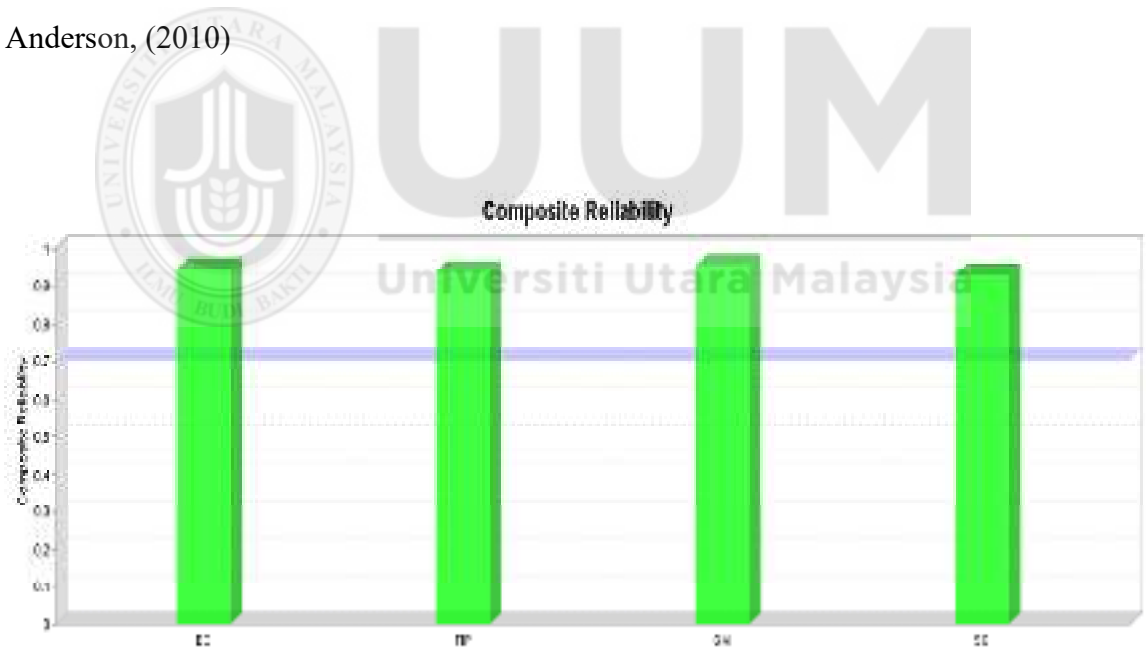
<b>LB10</b>	0.128	0.352	0.658	<b>0.819</b>	0.153
<b>LB16</b>	0.111	0.410	0.895	<b>0.945</b>	0.238
<b>LB17</b>	0.141	0.409	0.881	<b>0.929</b>	0.216
<b>LB18</b>	0.113	0.371	0.896	<b>0.920</b>	0.124
<b>LB19</b>	0.116	0.376	0.899	<b>0.928</b>	0.151
<b>LB2</b>	0.101	0.474	0.602	<b>0.775</b>	0.291
<b>LB20</b>	0.088	0.293	0.769	<b>0.831</b>	0.242
<b>LB3</b>	0.086	0.497	0.630	<b>0.838</b>	0.211
<b>LB8</b>	0.137	0.354	0.623	<b>0.781</b>	0.103
<b>SC1</b>	0.156	0.273	0.100	0.063	<b>0.626</b>
<b>SC13</b>	0.070	0.361	0.019	0.090	<b>0.659</b>
<b>SC14</b>	0.357	0.160	0.040	0.158	<b>0.643</b>
<b>SC17</b>	0.172	0.159	0.066	0.179	<b>0.737</b>
<b>SC18</b>	0.278	0.332	0.007	0.132	<b>0.661</b>
<b>SC19</b>	0.169	0.141	0.080	0.028	<b>0.573</b>
<b>SC2</b>	0.112	0.138	0.028	0.144	<b>0.613</b>
<b>SC20</b>	0.069	0.124	0.185	0.062	<b>0.538</b>
<b>SC21</b>	0.105	0.221	0.004	0.155	<b>0.657</b>
<b>SC22</b>	0.123	0.305	0.009	0.131	<b>0.811</b>
<b>SC23</b>	0.040	0.392	0.080	0.258	<b>0.678</b>
<b>SC3</b>	0.174	0.479	0.242	0.333	<b>0.849</b>
<b>SC4</b>	0.261	0.387	0.227	0.317	<b>0.841</b>
<b>SC8</b>	0.136	0.285	0.086	0.183	<b>0.792</b>
<b>SC9</b>	0.190	0.003	0.243	0.091	<b>0.530</b>

*\*Note. The bold values indicate the items that belong to the column's construct*

EO= entrepreneurial orientation, SC= social capital, GM= global mindset, LB= leadership behavior, FIP= firm international performance.

#### 4.4.1.4 The Convergent Validity Analysis

According to Hair J. F., Black, Babin, and Anderson, (2010), convergent validity refers to the degree to which a group of variables converge in measuring a particular concept. They suggested that convergent validity can be established through the simultaneous testing of three criteria; factor loadings, composite reliability (CR) and average variance extracted (AVE). As such, the entire items loadings were examined and confirmed to be above 0.70 (the acceptable level recommended by Hair J. F., Black, Babin, and Anderson, (2010)



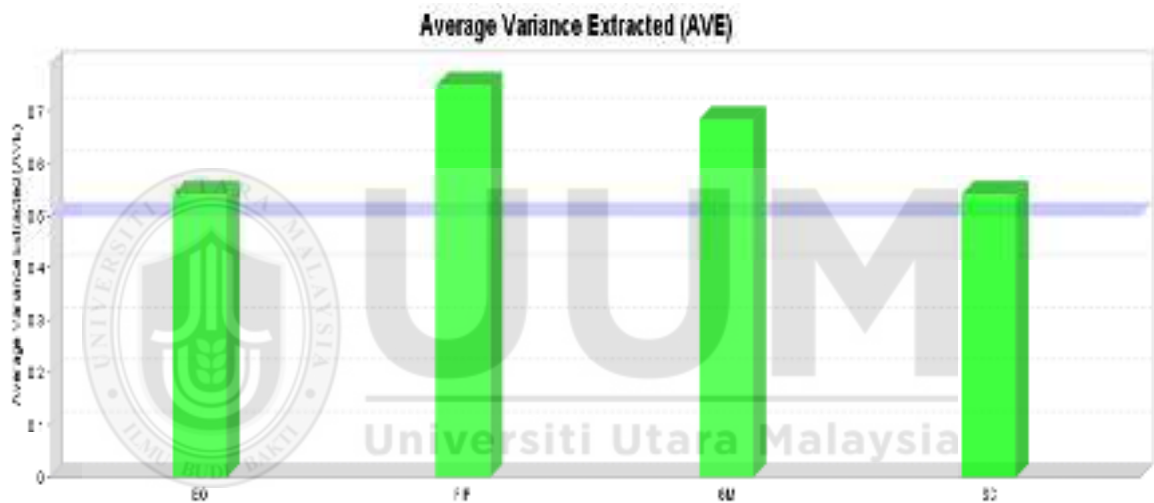
**Figure 4.4**

*Composite Reliability*

The factor loadings were all significant at a 0.01 level of significance (See Table 4.8).

Convergent validity is also confirmed through composite reliability test that refers to the

level to which the items set indicate the latent construct in a consistent manner (Hair et al., 2010). For this study, the Average Variance Extracted (AVE) and Composite Reliability (CR) values are listed in Table 4.8. From the table, the values of composite reliability values fall between 0.881-0.956 indicating that the latter values exceeded the recommended value of 0.70 (Fornell & Larcker, 1981; Hair J. F., Black, Babin, & Anderson, 2010). Hence, the results confirm the outer model's convergent validity.



**Figure 4.5**

*Average variance Extracted (AVE)*

In addition to the above, the AVE values were tested to further confirm the outer model's convergent validity. AVE value shows the group of items in relation to the variance shared with measurement errors. Specifically, AVE gauges the variance encapsulated by indicators that relate to the assignable variance to the measurement errors. If the AVE value is 0.5, the set of items is deemed to have sufficient convergence in measuring the construct (Barclay, Higgins, & Thompson, 1995). In the present study, the values of AVE

fall in the range of 0.522-0.774 indicating good construct validity of measurement as recommended by Barclay, Higgins, and Thompson (1995).

**Table 4.8**  
*Loadings, Reliability and Convergent Validity Values*

Variables	Items	Standardized Loadings	Composite Reliability(C.R)	Average Variance Extracted (AVE)	Discriminant Validity?
<b>Entrepreneurial orientation</b>	EO1	0.788	0.95	0.52	Yes
	EO12	0.671			
	EO14	0.674			
	EO15	0.791			
	EO16	0.767			
	EO17	0.852			
	EO18	0.858			
	EO19	0.697			
	EO2	0.805			
	EO20	0.697			
	EO21	0.679			
	EO22	0.686			
	EO23	0.708			
	EO24	0.725			
	EO25	0.583			
	EO26	0.788			
	EO3	0.671			
	EO4	0.674			

	EO6	0.791			
	EO8	0.767			
<b>Firm international performance</b>			0.93	0.74	Yes
	FIP1	0.851			
	FIP2	0.817			
	FIP3	0.801			
	FIP4	0.934			
	FIP5	0.926			
<b>Global mindset</b>			0.96	0.65	Yes
	GM1	0.710			
	GM10	0.899			
	GM11	0.908			
	GM12	0.779			
	GM13	0.881			
	GM18	0.709			
	GM3	0.605			
	GM7	0.888			
	GM8	0.914			
	GM9	0.915			
<b>Leadership behavior</b>			0.96	0.73	Yes
	LB1	0.769			
	LB10	0.819			
	LB16	0.945			
	LB17	0.929			
	LB18	0.920			

	LB19	0.928			
	LB2	0.775			
	LB20	0.831			
	LB3	0.838			
	LB8	0.781			
<b>Social capital</b>			0.95	0.53	Yes
	SC1	0.626			
	SC13	0.659			
	SC14	0.643			
	SC16	0.737			
	SC17	0.661			
	SC18	0.573			
	SC19	0.613			
	SC2	0.538			
	SC20	0.657			
	SC21	0.811			
	SC22	0.678			
	SC23	0.849			
	SC24	0.841			
	SC3	0.792			
	SC4	0.530			
	SC6	0.626			
	SC8	0.659			
	SC9	0.643			

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Note: EO=entrepreneurial orientation, SC=social capital, GM=global mindset, LB=leadership behavior, FIP=firm international performance.

#### 4.4.2 The structural model

As stated earlier, once the measurement model is examined and the reliability and validity of the model are established, the next step was to evaluate the structural model results. This involved assessing the outer model's predictive abilities and the relationships between the constructs. As suggested by Hair, Ringle, and Sarstedt (2013), before assessing the structural model, collinearity should be examined.

Following to the examination of multiple correlations within the preceding section, it had been confirmed there's no multiple correlation drawback among the exogenous variables. However, this study reassessed the collinearity as advised by Hair, Ringle, and Sarstedt, (2013). The results in Table 4.9 show that the values of VIF are clearly below the threshold level of 5. Therefore, it is concluded that there is no collinearity problem among the predictor constructs in the structural model, and further analysis should be carried out.

**Table 4.9**  
*Collinearity*

<b>Constructs</b>	<b>VIF</b>
<b>EO</b>	1.261
<b>SC</b>	1.283
<b>GM</b>	3.228
<b>LB</b>	3.006

Note: EO=Entrepreneurial orientation, SC=social capital, GM=Global mindset, LB=Leadership behavior

#### *4.4.2.1 Direct relationships*

Having determined the measurement model, next, the present study assessed the structural model. The present study also applied the standard bootstrapping procedure with a number of 5000 bootstrap samples and 320 cases to assess significance of the path coefficients (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014; Hair, Ringle, & Sarstedt, 2013; Hair, Sarstedt, Ringle, & Mena, 2012; Henseler, Ringle, & Sinkovics, 2009). Figure 4.6 and Table 4.9 therefore, shows the estimates for the full structural model.





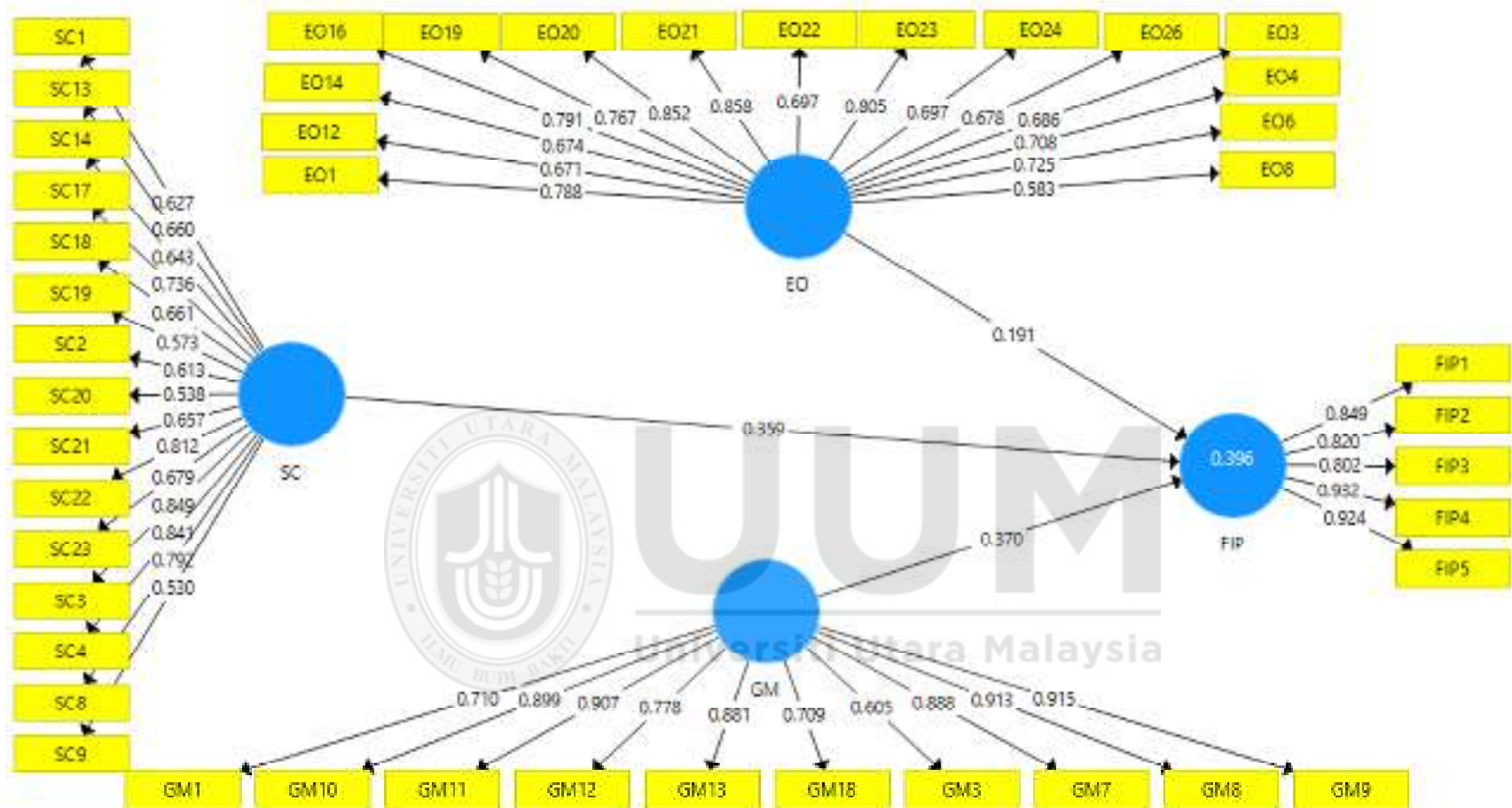


Figure 4.6

*PLS Algorithm Direct Relationship*

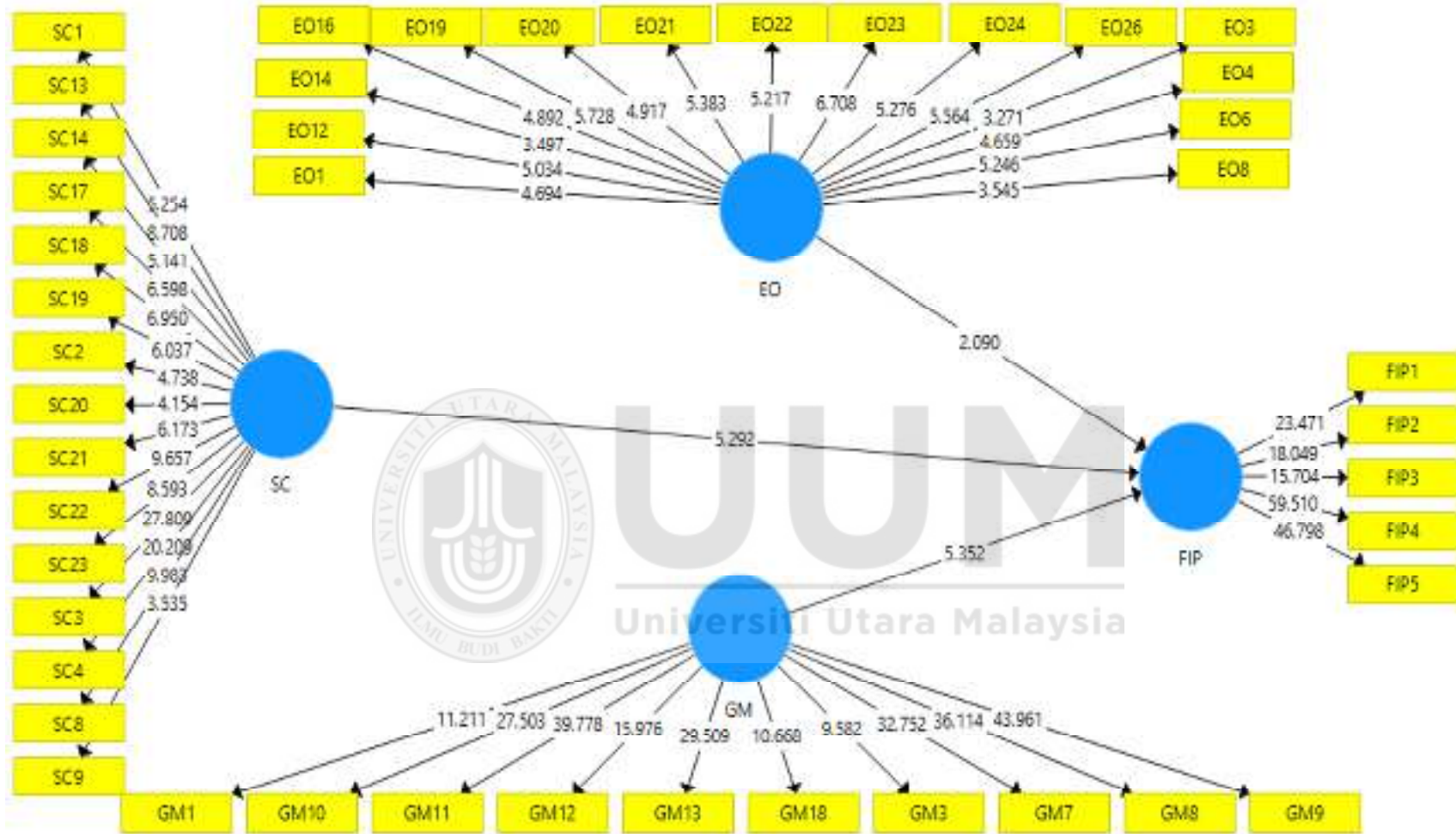


Figure 4.7  
 PLS-SEM Bootstrapping Direct Relationship

The path coefficients statistical significance can be determined via bootstrapping methods in SmartPLS 3.0. In this regard, the T-values of each path coefficients were produced P-values. Based on the results, entrepreneurial orientation significantly impacted firm international performance where ( $\beta= 0.191$ ,  $t=2.09$ ,  $p<0.01$ ) and hence, the first hypothesis (H1) is supported. 2<sup>nd</sup> Hypothesis (H2) predicted that social capital is positively related to firm international performance. As shown in Table 4.10, a significant positive relationship between social capital and firm international performance ( $\beta = 0.35$ ,  $t = 5.35$ ,  $p < 0.01$ ) was found, the 3<sup>rd</sup> hypothesis (H3) is supported With regards to the results obtained for hypothesis testing pertaining to global mindset that is positively related to firm international performance. As shown in Table 4.10, a significant relationship between global mindset and firm international performance ( $\beta = 0.37$ ,  $t = 5.29$ ,  $p < 0.01$ ) was found, the 3<sup>rd</sup> hypothesis (H3) is supported.

**Table 4.10**  
*Results of Hypotheses Testing (Direct Relationships)*

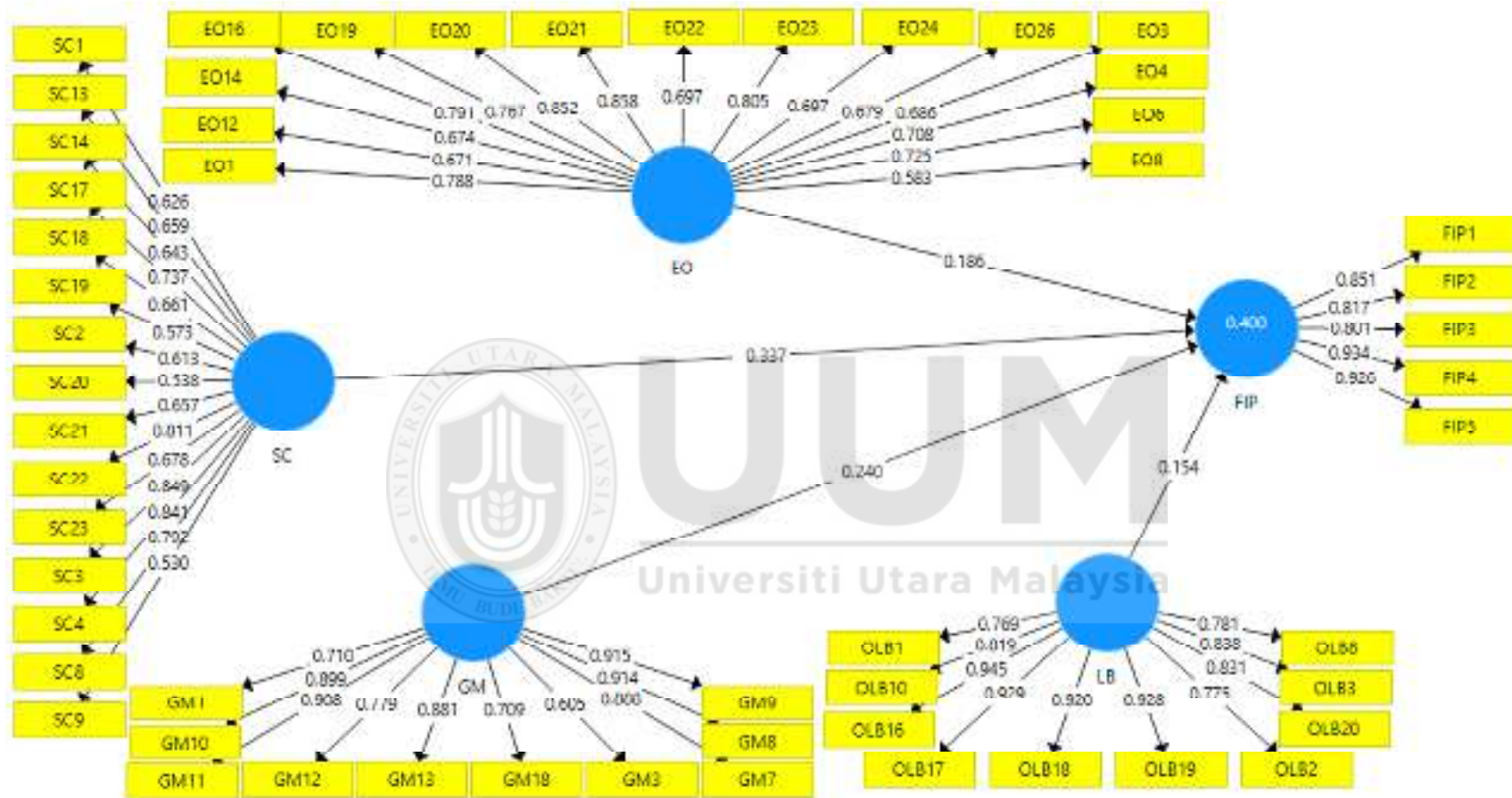
Hypotheses	Relation	Beta	SE	T-Value	P-Value	Decision
H1	EO -> FIP	0.191	0.071	2.09	0.01	Supported
H2	SC -> FIP	0.359	0.042	5.35	0.00	Supported
H3	GM -> FIP	0.370	0.054	5.29	0.00	Supported

#### *4.4.2.2 Moderating Test*

Vinzi, Chin, Henseler, and Wang, (2010) suggested that to check moderation, it is important to initially examine the sole impact of the independent variables on the dependent variable; then, examine the most result of the independent variables, together with the moderator on the dependent variable; and last, embrace the interaction terms. (Chin, Marcolin, & Newsted, 2003).

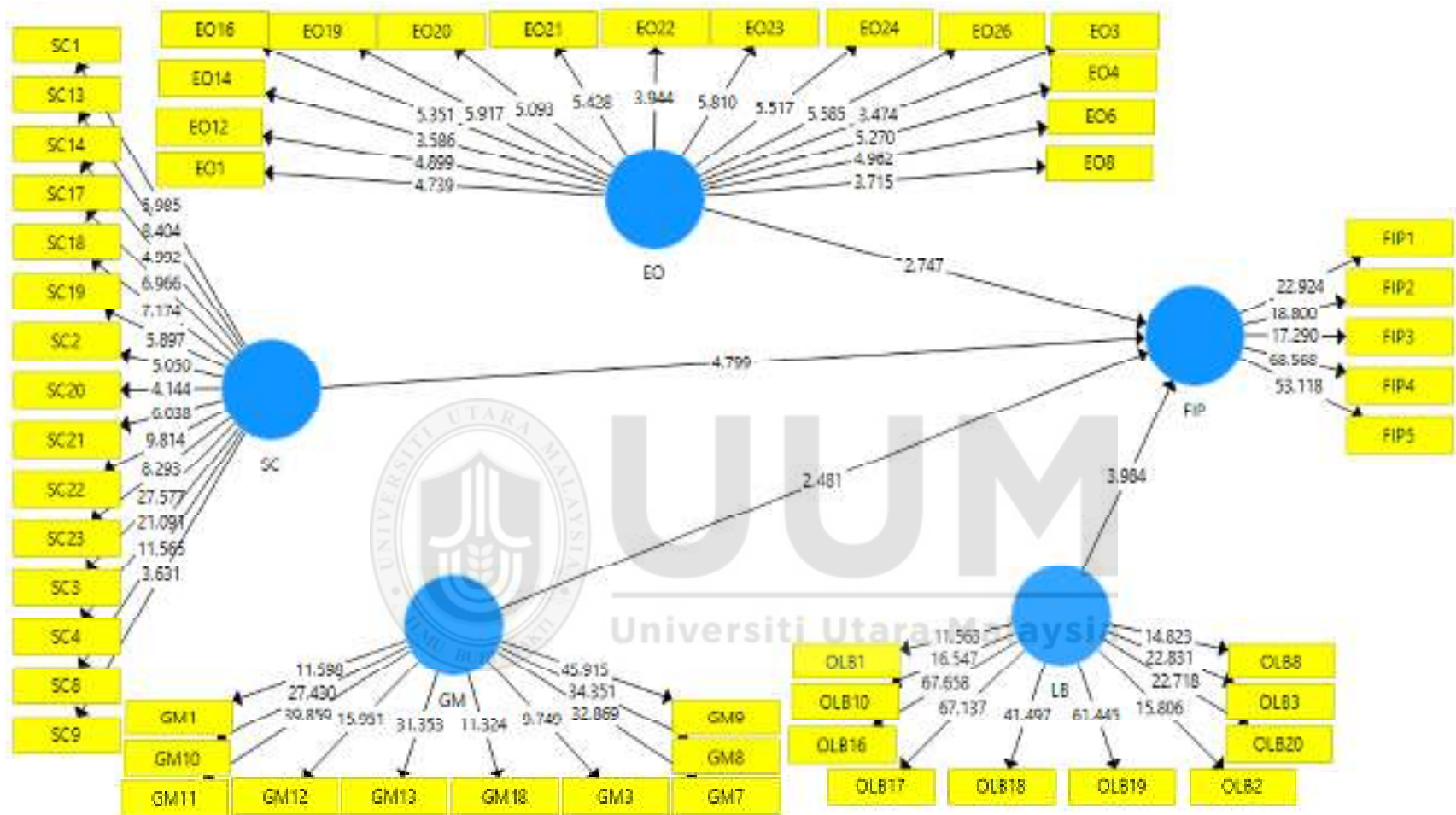
Hence, the moderating result holds only if these interaction terms are significant (Hair, Ringle, & Sarstedt, 2013). Following the preceding procedure, the results of the interacting effects between leadership behavior on the link between EO, SC, GM and firm international performance were examined and reported. The moderation model in Figure 4.8 and Figure 4.9 tests whether or not the prediction of firm international performance, from EO, SC, GM may be improve once leadership behavior as moderating variable become significant. Figure 4.10 presents the trail assessment once the moderator variable is enclosed as experimental variable and it shows the trail constant of leadership behavior is positive.

Similarly, Figure 4.11 indicates a major relationship between leadership behavior and firm international performance ( $\beta 0.15$ ;  $t=3.98$ ;  $p<.1$ ). Hence, it's terminated that leadership behavior features a positive influence on firm international performance and also the level of R-square that's accounted for the model improves from 0.40 to 0.47.



**Figure 4.8**  
*PLS-SEM Algorithm Moderator*





**Figure 4.9**  
*PLS-SEM Bootstrapping Moderator*

Finally, the three interaction terms were introduced. Figure 4.10 shows that there is a significant addition to the value of  $R^2$  as it increases from 0.40 to 0.47. The three interaction terms are found to be significant as shown in Figure 4.10. From Table 4.11 below, it is clear that the interaction term of EO\*leadership behavior is significant ( $\beta.04$ ;  $t=2.40$ ;  $p<.1$ ); hence, H4 is supported. Similarly, the results presented in Table 4.11 show significant effect of the SC\*leadership behavior interaction term ( $\beta.01$ ;  $t=2.07$ ;  $p<.1$ ); therefore, H5 is also supported. Equally, H6 is also supported, as the result in Table 4.11 shows significant effect of the interaction term, i.e., GM\*leadership behavior ( $\beta.249$ ;  $t=2.60$ ;  $p<.1$ ). Based on these results, it can be concluded that leadership behavior moderates the positive relationship between EO, SC and GM with firm international performance.



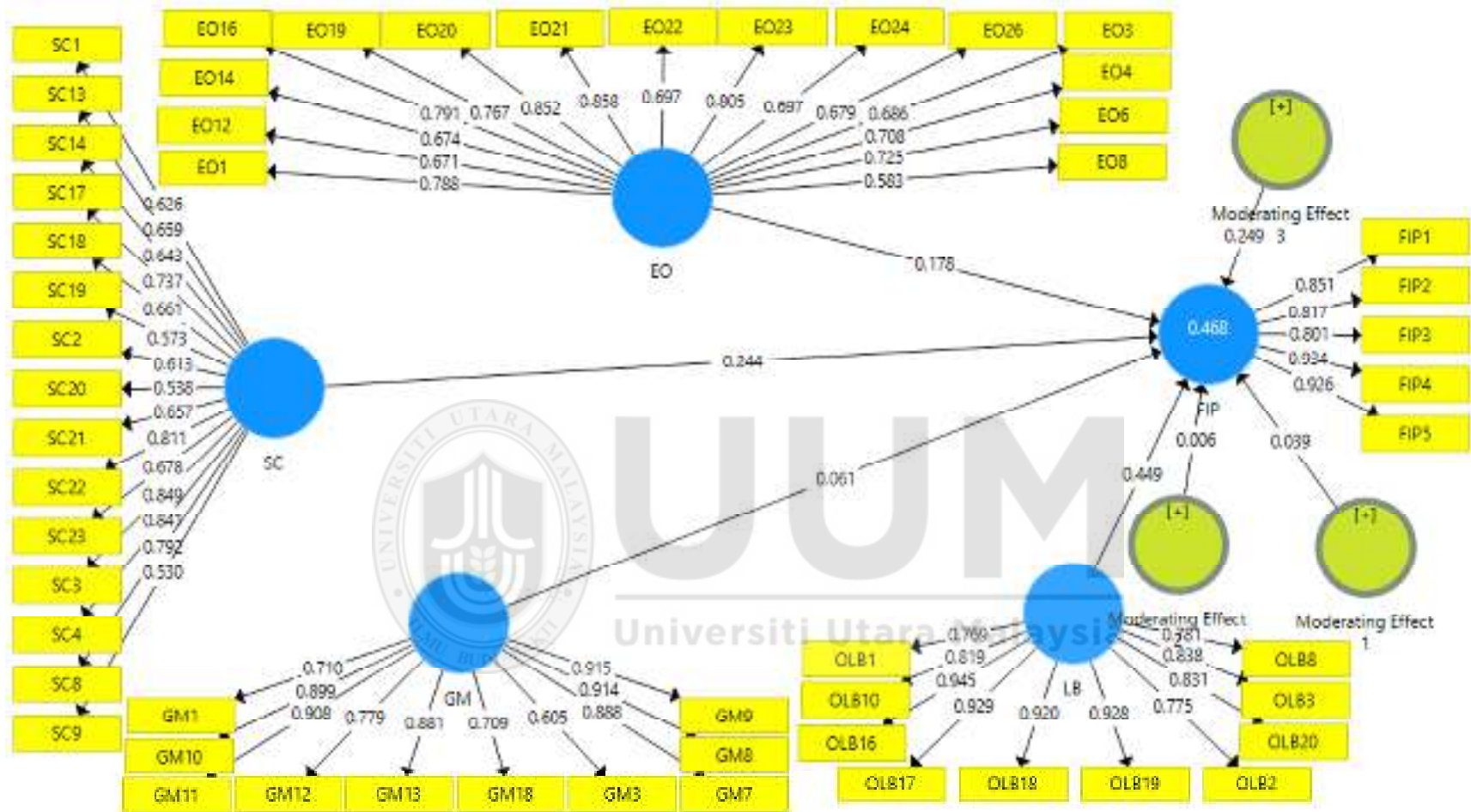


Figure 4.10



PLS-SEM Algorithm Interactions

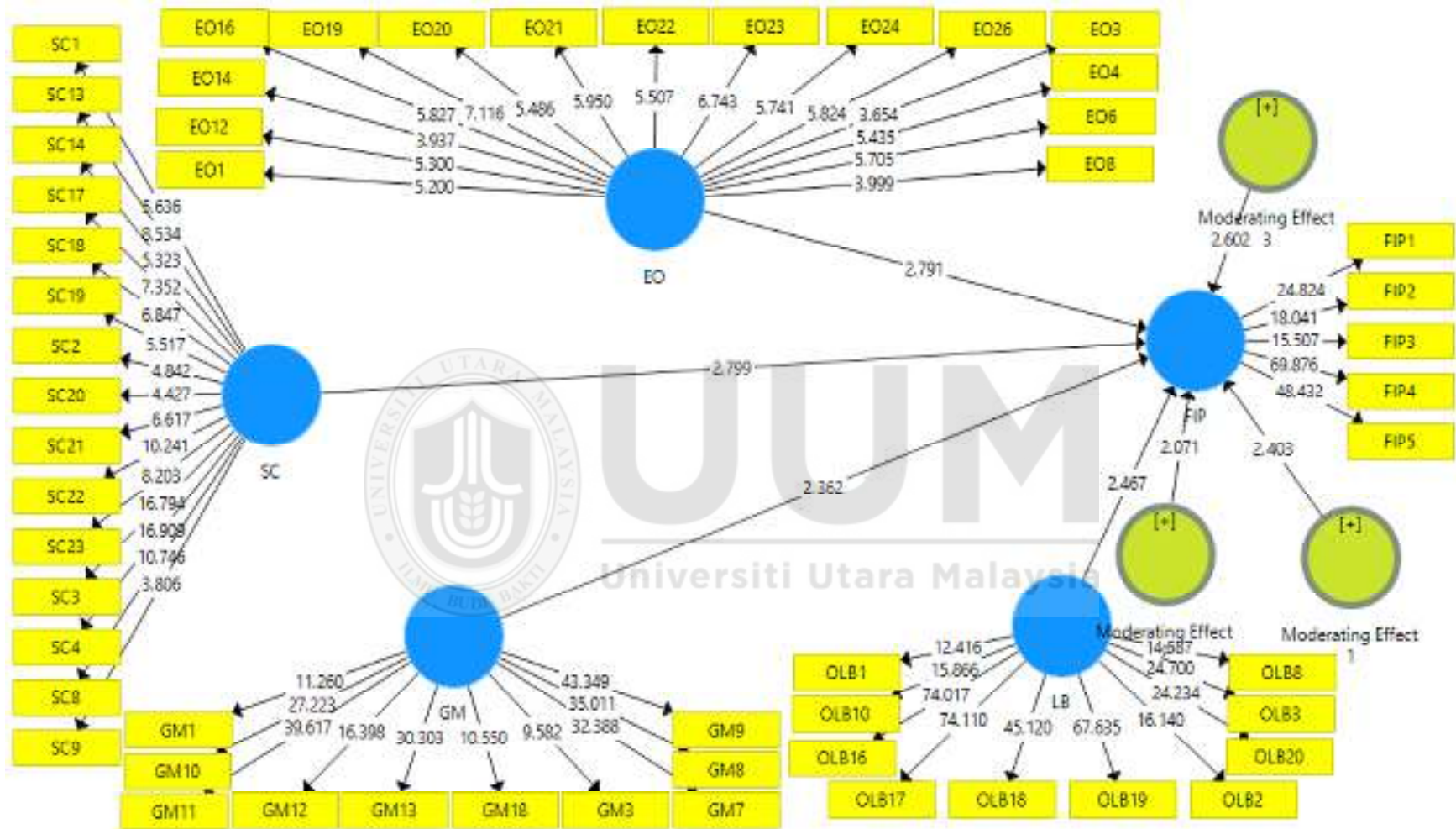


Figure 4.11

PLS-SEM Bootstrapping Interactions

**Table 4.11***Result of Moderation Test*

	Hypotheses/Path	Path Coef	Path Coef	T - Stat	P-Value	Decision
	EO -> FP	0.191	0.178			
	SC -> FP	0.359	0.244			
	GM -> FP	0.370	0.061			
	LB -> FP					
H4	EO*LB -> FIP		0.039	2.403	0.001	Supported
H5	SC*LB -> FIP		0.006	2.071	0.001	Supported
H6	GM*LB-> FIP		0.249	2.602	0.000	Supported
	R- square 0.468					

#### 4.4.2.2 Assessment of variance explained in the endogenous latent variable

Another important criterion for assessing the structural model in PLS-SEM is the  $R^2$  value, which is also known as the coefficient of determination (Hair, Sarstedt, Ringle, & Mena, 2012; Hair J. F., Black, Babin, & Anderson, 2010; Henseler, Ringle, & Sinkovics, 2009). The  $R^2$  value represents the proportion of variation in the dependent variable that can be explained by one or more predictor variables (Elliott & Woodward, 2007; Hair et al., 2010; Hair et al., 2006). Although the acceptable level of  $R^2$  value depends on the research context (Hair et al., 2010). Falk and Miller (1992) propose  $R^2$  value of 0.10 as a minimum acceptable level. Meanwhile, Chin (1998) suggested that the R-squared values of 0.67, 0.33, and 0.19 in PLS-SEM can be considered as substantial, moderate, and weak, respectively. Table 4.12 presents the  $R^2$  values of the endogenous latent variable.

**Table 4.12***Variance Explained in the Endogenous Latent Variable*

<b>Latent Variables</b>	<b>Variance Explained (R<sup>2</sup>)</b>
Firm International Performance	0.468

#### *4.4.2.3 Assessment of effect size (f<sup>2</sup>)*

Effect size indicates the relative impact of a selected exogenous latent variable on endogenous latent variable by means that of changes within the  $R^2$  (Chin, 1998). It is calculated because the increase in R-squared of the latent variable to that the trail is connected, relative to the latent variable proportion of unexplained variance (Chin, 1998). Therefore, the impact size might be expressed with the help of subsequent formula (Cohen, 1988; Selya, Rose, Dierker, Hedeker, & Mermelstein, 2012; Wilson, Callaghan, Ringle, & Henseler, 2007):

$$\text{Effect size: } (f^2) = \frac{R^2 \text{ Included} - R^2 \text{ Excluded}}{1 - R^2 \text{ Included}}$$

Cohen (1988) described  $f^2$  values of 0.02, 0.15, and 0.35 as having weak, moderate, and strong effects respectively. Table 4.13 shows the respective effect sizes of the latent variables of the structural model.

**Table 4.13***Effect Sizes of the Latent Variables on Cohen's (1988) Recommendation*

<b>R-squared</b>	<b>Include</b>	<b>exclude</b>	<b>f-squared</b>	<b>Effect size</b>
EO	0.367	0.302	0.102	Small
SC	0.427	0.249	0.310	Medium
GM	0.421	0.357	0.110	Small

#### *4.4.2.4 Determining the strength of the moderating effect*

In order to determine the strength of the moderating effect of leadership behavior on the relationship between entrepreneurial orientation, social capital, and global mindset Cohen's (1988) effect sizes were calculated. Furthermore, the strength of the moderating effect can be assessed by comparing the coefficient of determination  $R^2$  value of the main effect model with the  $R^2$  value of the full model that incorporates both exogenous latent variables and moderating variable (Henseler & Chin, 2010; Wilden, Gudergan, Nielsen, & Lings, 2013). Thus, the strength of the moderating effect could be expressed using the following formula (Cohen, 1988; Henseler & Fassott, 2010).

$$\text{Effect size: } (f^2) = \frac{R^2 \text{ model with moderator} - R^2 \text{ model without moderator}}{1 - R^2 \text{ model with moderator}}$$

Moderating effect sizes ( $f^2$ ) values of 0.02 can be considered as weak, effect sizes of 0.15 as moderate while the effect sizes above 0.35 may be regarded as strong (Cohen,

1988; Henseler & Fassott, 2010). However, according to Chin, Marcolin, and Newsted (2003) a low effect size does not necessarily mean that the underlying moderating effect is insignificant. Even a small interaction effect can be meaningful under extreme moderating conditions, if the resulting beta changes are meaningful, then it is important to take these conditions into account (Chin, Marcolin, & Newsted, 2003). Result of the strength of the moderating effect of leadership behavior is presented in Table 4.13.

Following Henseler and Fassott (2010) and Cohen (1988) rule of thumb for determining the strength of the moderating effect, Table 4.14 shows that the effect size for Firm international performance was 0.43, suggesting that the moderating effect was strong (Henseler, Wilson, Götz, & Hautvast, 2007; Wilden, Gudergan, Nielsen, & Lings, 2013).

**Table 4.14**

*Strength of the Moderating Effect Based on Cohen's (1988) and Henseler and Fassott's (2010) Guidelines*

Endogenous Latent Variables	R-squared		f-squared	Effect size
	Included	Excluded		
Firm international performance	0.61	0.46	0.43	strong

#### *4.4.2.5 Assessment of predictive relevance*

The present study conjointly applied Stone-Geisser by taking a look at predictive connection of the analysis model victimisation blindfolding procedures (Geisser, 1974; Stone, 1974). The Stone-Geisser stated that predictive construction is typically used as a supplementary assessment of goodness-of-fit in partial least square method structural equation modelling (Duarte & Raposo, 2010). Even though this study used blindfolding to ascertain the predictive relevance of the research model, it is worth noting that according to Sarstedt, Ringle, Mena, and Hair (2012) “blindfolding procedure is only applied to endogenous latent variable that have a reflective measurement model operationalization”. Reflective measurement model specifies that a latent or unobservable concept causes variation in a set of observable indicators. Hence, because endogenous latent variable in present study were reflective in nature, a blindfolding procedure was applied mainly to these endogenous latent variable.

In particular, a cross-validated redundancy measure ( $Q^2$ ) was applied to assess the predictive relevance of the research model (Stone, 1974; Geisser, 1974; Chin, 2010; Hair, Ringle, & Sarstedt, 2013). The  $Q^2$  is a criterion to a measure how well a model predicts the data of omitted cases (Chin, 1998; Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014). According to Henseler, Ringle, and Sinkovics, (2009), a research model with  $Q^2$  statistic (s) greater than zero is considered to have predictive relevance. Additionally, a research model with higher positive  $Q^2$  values suggests more predictive relevance. Table 4.15 presents the results of the cross-validated redundancy  $Q^2$  test.

**Table 4.15**

*Construct Cross-Validated Redundancy*

<b>Total</b>	<b>SSO</b>	<b>SSE</b>	<b>1-SSE/SSO</b>
FIP	1600	1179.892	0.26256

#### **4.5 Control Variable**

In addition to the testing of the proposed links between exogenous and endogenous latent variables as shown in the structural model, one control variable was also examined in this study. Education added as a control variable in the final model. Control variable is treated as exogenous latent variable similar to other exogenous variables in the model (Kock, 2011).

However, in contrast to exogenous variables in the model, the attention of the study is not on the control variable. That is incorporated into the model to assess, whether the exogenous variables account for any relationship with the endogenous variable rather than of the control variable. Hence, it does not problem much, whether the results of the control variable are significant or not (Kock, 2011). In other words, control variable should be included for the expressed purpose of accounting for known or potential confounding effects on any construct in the model (Lowry & Gaskin, 2014). In order to test for the effects of control variable in this study education was included in the model

and linked to firm international performance. The bootstrapping was applied to see the relationship between the control variable and firm international performance. The bootstrapping result in Figure 4.12 indicates education has insignificant relationship with firm international performance.

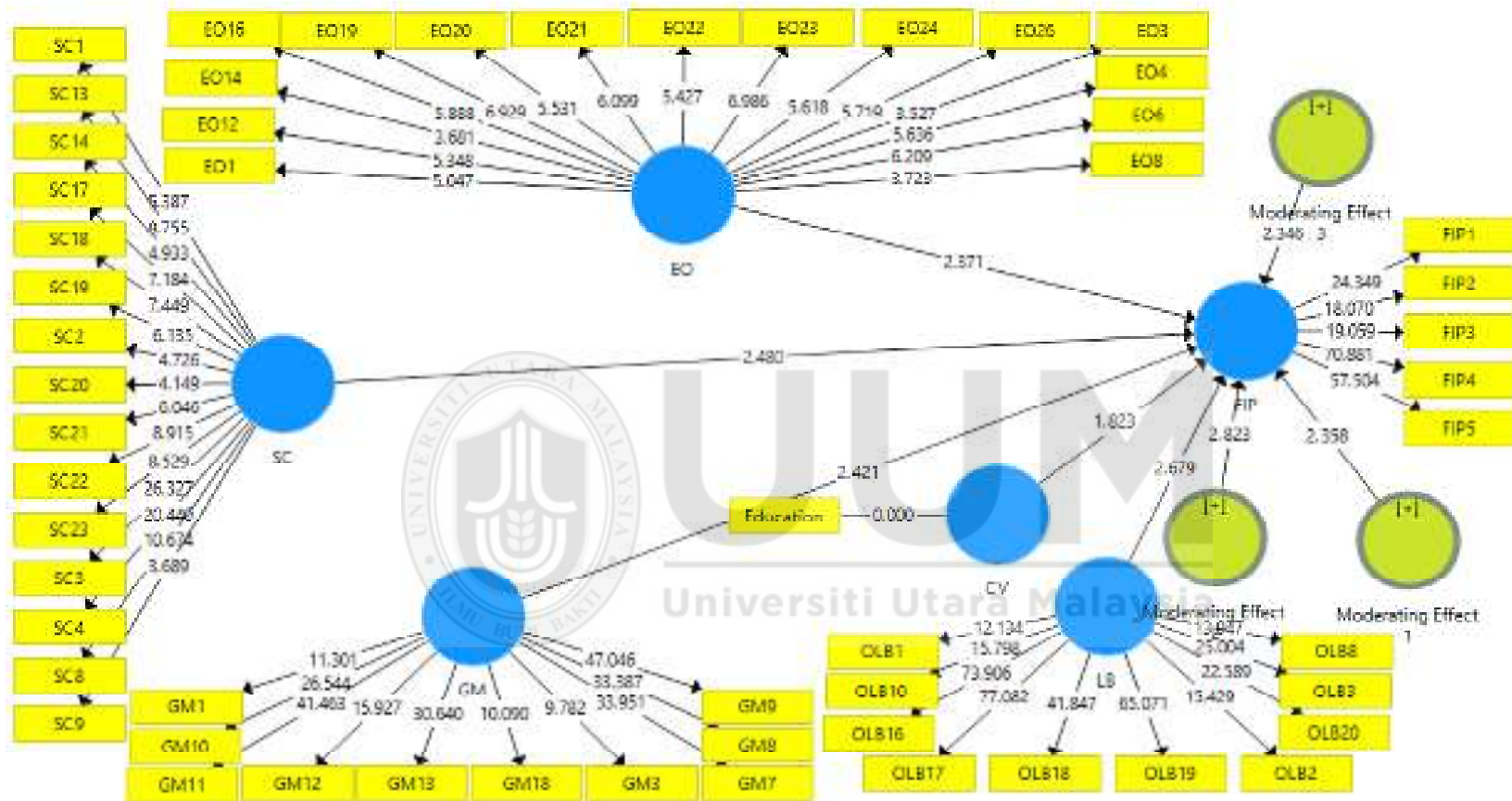
**Table 4.16**

*Control Variable*

<b>Control Variables</b>	<b>Path Coefficient</b>	<b>Standard Error</b>	<b>T Statistics</b>	<b>P-Value</b>
Education-> FIP	0.021	0.04	1.823	0.534

Based on the result in Table 4.16, the better the education the more it is performing but in this study education has not any significant result with performance. In other words, education has in significant and do not have relationship with firm international performance, suggesting that EO, SC GM and FIP has no change as the education level change.





**Figure 4.12**  
*Structural Model (control variable)*

## 4.6 Summary of Findings

Having presented all the results including main and moderating effect in preceding sections, summarizes the results of all hypotheses tested.

**Table 4.17**  
*Summary of Hypotheses Testing*

<b>Hypothesis</b>	<b>Statement</b>	<b>Finding</b>
<b>H1</b>	There is a positive relationship between entrepreneurial orientation and firm international performance.	Supported
<b>H2</b>	There is a positive relationship between social capital and firm international performance.	Supported
<b>H3</b>	There is a positive relationship between global mindset and firm international performance.	Supported
<b>H4</b>	Leadership behavior moderates the relationship between entrepreneurial orientation and firm international performance.	Supported
<b>H5</b>	Leadership behavior moderates the relationship between social capital and firm international performance.	Supported
<b>H6</b>	Leadership behavior moderates the relationship between global mindset and firm international performance.	Supported

## 4.7 Summary

In this chapter, the justification for using PLS path modeling to test the theoretical model of the study was presented. Following the assessment of significance of the path coefficients, the key findings of the study were presented. Generally, self-report techniques have provided considerable support for the moderating effect of leadership behavior on the relationship between entrepreneurial orientation, social capital, and global mindset on firm international performance in particular, the path coefficients revealed a significant positive relationship between; entrepreneurial orientation and firm international performance, social capital and firm international performance, global mindset and firm international performance. Importantly, concerning the moderating effect of leadership behavior on the relationship between the three predictor variables, PLS 3 path coefficients revealed that of three formulated hypotheses, all were approved. In particular, leadership behavior moderates the relationship between; entrepreneurial orientation and firm international performance, social capital and firm international performance, global mindset and firm international performance. The next chapter (Chapter 5) discusses further about the findings, followed by implications, limitations, and suggestions for future research directions and conclusions.

## **CHAPTER FIVE: CONCLUSION AND RECOMMENDATION**

### **5.1 Introduction**

This part is constrained to abridge the study findings. The contributions of the study to the current literature have been discussed in this part. It likewise pinpoints the entrepreneurial course of headings that may help the policy makers of SMEs of Pakistan and other developing nations and academicians to set up an international domain for entrepreneurial orientation, social capital, global mindset, and leadership behavior. This section involves the limitations of the study and proposes future research directions. Lastly, this chapter brings down the curtain tracing the concluding remarks of study.

### **5.2 Overview of the Study**

The firm international performance was the main focus of this study. Developing countries like Pakistan to a great extent depend on the performance of SMEs for the elevated and performance of their economy. In Pakistan, SMEs represent 99 % of total business contribution. They are largely dealing extensive in, marketing, food and beverage (53%), social and workers services (22%) and manufacturing (20%). These SMEs highly contributes to Gross Domestic Product (GDP) of the country, the employment of 80th of the non-agricultural labor force, 25th of total exports and 35th significant additional making. It was recognized that Performance of SMEs in Pakistan

remained very bad in the previous decade. Poor performance was for the most part ascribed to the issues of failure to improve, lack of technology competitiveness and lack of orientation to pursue entrepreneurial programs that could help the firms in creating and sustaining competitive advantage.

The Scope of the present study was constrained to SMEs of sports industry Pakistan which is in Sialkot district and it is among the biggest SMEs setup in Pakistan. SMEs which are manufacturing sports products are 3229 in number. This industry is among the major exporter of Pakistan. But recently the international performance of sports industry has been declined. In a decade ago industry deals have encountered a critical decrease of more than \$50 million in neighborhood and remote market. One of the significant reasons for this decrease is dependence on more seasoned innovations and absence of consideration towards entrepreneurial orientation and social capital notwithstanding failure to embrace leadership behavior and global mindset.

Pakistani sports industry is losing its market share rapidly in front of China, India, and Thailand these countries are aggressively employing entrepreneurial orientation measures in their firm and are more successful in developing global mindset and social capital. This scenario demanded that the state of entrepreneurial orientation, global mindset and social capital and their impact on firm international performance must be investigated in context of SMEs in sports industry of Pakistan.

The primary aim of this study was to examine the moderating effect of leadership behavior on the relationship between entrepreneurial orientation, social capital, and global mindset and firm international performance. Basically, this study was greatly motivated by the inconclusive findings in the recent relevant literature concerning the relationship between EO, SC, and GM with firm international performance. This study was also inspired by the striking remarks given by the contemporary researchers (Najib, Kiminami, & Yagi, 2011; Rosenbusch, Brinckmann, & Bausch, 2011). Najib, Kiminami, and Yagi (2011) argued that the theoretical models formulated in developed countries cannot be truly applied and replicated in developing countries. He felt a dire need that entrepreneurial orientation and international performance relationship must be studied in the context of developing countries.

Brouthers, Nakos, and Dimitratos (2015) highlighted that entrepreneurial orientation with international performance linkage needs to be moderated. They further hinted that knowledge and leadership behavior of firms may moderate the entrepreneurial orientation and international performance relationship (Engelen, Schmidt, & Buchsteiner, 2015). Kyvik, Saris, Bonet, and Felício (2013) challenged the assumption that only large corporations can be benefitted from global mindset and asked for further academic research on firm international performance in order to find out the nature and strength of relationship between global mindset and firm international performance.

Khalique, Bontis, Abdul Nassir bin Shaari, and Hassan Md. Isa (2015) emphasized on the significance of leadership behavior in context of SMEs in Pakistan. Moreover, Khalique,

Bontis, Abdul Nassir bin Shaari, and Hassan Md. Isa (2015) also highlighted that issues related to entrepreneurial orientation and social capital need to be investigated in context of sports industry of Pakistan. Engelen, Schmidt, and Buchsteiner (2015) revealed in this study that Leadership behavior can influence entrepreneurial orientation and social capital and international performance of SMEs. Therefore, the current study was conducted to fill the existing gaps in literature (as discussed in the introductory chapter), and to incorporate the proposals forwarded by the past studies. Hence, the moderating effect of leadership behavior on the linkage between EO, SC, and GM with firm international performance was studied.

Based on the problem statement of this study and the comprehensive review of the relevant literature reported in chapter one and chapter two, the present study aimed to achieve the following objectives:

1. To examine the positive relationship between entrepreneurial orientation and firm international performance.
2. To examine the positive relationship between social capital and firm international performance.
3. To examine the positive relationship between global mindset and firm international performance.
4. To examine the moderating effect of leadership behavior on the relationship between entrepreneurial orientation and firm international performance.

5. To examine the moderating effect of leadership behavior on the relationship between social capital and firm international performance.
6. To examine the moderating effect of leadership behavior on the relationship between global mindset and firm international performance.

In order to achieve the aforementioned objectives of this study, a comprehensive review of the literature was conducted and reported throughout this study especially in Chapter two. The review of past relevant literature, related to EO revealed that majority of the studies that investigated EO-international performance linkage, has been conducted in developed countries. Moreover, the past researchers have focused mainly on three dimensions of entrepreneurial orientation only, and ignored the importance two dimensions of EO. This study has incorporated all five dimensions of entrepreneurial orientation such as innovation, risk taking behavior, pro-activeness, autonomy, and aggressiveness and examined their relationship with firm international performance. In case of social capital, a vast majority of researchers have overlooked the role of social capital in the context of SMEs. There is acute shortage of quantitative studies that have to explore the relationship between social capital, global mindset, and firm international performance.

The past studies have examined the impact of entrepreneurial orientation, social capital, and global mindset on firm international performance separately. There are no specific study if any that have examined the combined and integrated effect of these three important variables in the context of international performance of SMEs. Furthermore,



the past studies have exhibited inconsistent and inconclusive findings with respect to relationship between EO, SC, and firm international performance. In the same manner, the past literature demonstrated that the linkage between global mindset and firm international performance is quite inconsistent.

To resolve the inconsistent findings, the moderating role of leadership behavior was studied. This significant role of leadership behavior that can influence the entrepreneurial orientation, social capital, and global mindset with firm international performance relationship has not been explored before. In context of developing countries, there is very limited research if any that integrates entrepreneurial orientation social capital, global mindset, and moderating effect of leadership behavior in one study. In the present study it is discussed that how varying levels of leadership behavior can influence the relationship among EO, SC, and GM with firm international performance.

In the light of the objectives of the study and the discussions provided, in Chapters one, Chapter two comprises of literature review to extract the relevant variables to be used for this study, the framework was formulated in Chapter three. As it has been argued in Chapter two, this framework is theoretically grounded in the Resource Based View (RBV) and Contingency Theory.

The present study used primary data collected using structured questionnaires distributed in person to the owner managers of SMEs in Sports industry of Pakistan. After screening

the data, this study performed the hypotheses testing procedures employing measurement model and structural model analysis using PLS 3. Measurement model was conducted to examine the relationship between the entrepreneurial orientation, social capital and global mindset with firm international performance. Structural modelling analysis was used to examine the moderating effect of leadership behavior with the aforementioned relationships. The findings of the analysis were reported in Chapter four and are further discussed in the following sub-sections.

### **5.3 Discussion**

The following sub-sections discuss the findings of the study in the same order as the objectives and questions of the study.

#### ***5.3.1 Positive relationship between entrepreneurial orientation and firm international performance.***

EO is characterized as the entrepreneurial resource that demonstrates the degree to which a business is entrepreneurially proactive, risk taking innovative, competitive aggressiveness and autonomy. H1 hypothesized that EO is positively related to firm international performance and as postulated, the relationship was found to be positively significant. This empirical result coincides with the findings of previous studies that argue EO positively influences firm performance (Al-Swidi & Al-Hosam, 2012;

Brouthers, Nakos, & Dimitratos, 2015; Idar & Mahmood, 2011; Runyan, Droge, & Swinney, 2008; Wiklund & Shepherd, 2005; Zhang & Zhang, 2012).

As the finding validates the hypothesis, it also provides an answer to the respective research question. In general, the result provides further support for the assertion of the RBV as a theory on entrepreneurial orientation by confirming the positive influence of this intangible resource on the international performance of the firm. As mentioned in the literature review, EO comprises interrelated components of innovativeness, proactiveness, risk-taking, competitive aggressiveness, and autonomy, and these elements allow firms to be bold in taking business decisions. Therefore, this study highlights the importance of EO to possess in SMEs, as the international performance of the firm can be realized. In a nutshell, this result tends to suggest that SMEs, in the context of SMEs, need to have EO abilities as it can help them identify more opportunities globally and take business risks to achieve higher international performance. However, the results contradict with the findings of some empirical studies reveal that there is no influence of entrepreneurial orientation on firm international performance Baker & Sinclula 2009; Parkman, Holloway, & Sebastiao 2012).

In sum, it can be inferred from the results of the study that in order to achieve growth and excel, SMEs must embrace entrepreneurial orientation. It demands for newer ways of doing things in all aspects of business. As the competition gets more intensified and demands of customers become sophisticated, only those businesses would succeed who would keep pace with the latest ideas and developments happening in their industry and

must keep themselves updated with those innovations. Furthermore, they must come up with their own proactive approach and innovations in order to leapfrog and outshine their competitors.

### ***5.3.2 Positive relationship between social capital and firm international performance***

In case of relationship between social capital and firm international performance, the results indicated that there is quite significant positive relationship between social capital and firm international performance. This finding is consistent with the results of past studies performed by Klassen and McLaughlin, (1996); Roper and Love, (2002); Karahanna and Preston, (2013); Stam, Arzlanian, and Elfring, (2014); Schenkel and Teigland, (2016) who found a positive link between social capital and firms' international performance.

With reference to this study, social capital comprised of trust, structure, and cognitive. Thus, the findings suggest that trust, structure and cognitive significantly enhance international performance of SMEs. The findings of this study demands that SMEs should invest in social capital development if they desire to compete their global business rivals. By emphasizing on social capital developments SMEs can send the signals to their potential customers that they believed that social capital increase feelings of attraction, loyalty, and increase confidence and enhance organizational image.

Similarly, while Schenkel and Teigland (2016) argued that the improvement of a social capital lies on this element on version of some firm's qualities and industry information. Jansen, Curşeu, Vermeulen, and Gibcus (2011) pointed out that the number of channels provides more varied information concerning the decision making situation, which implies to decision making procedure. Wang and Fang (2012) highlighted those social structures which provide market information and foundation for competitive advantage.

In sum, SMEs proactively pursuing social capital are far better in firm international performance as compared to those which are lagging behind their competitors. In general, the result provides further support for the assertion of the RBV as a theory on social capital by confirming the positive influence of this intangible resource on the international performance of the firm.

### ***5.3.3 Positive relationship between global mindset and firm international performance***

The results indicated that a significant relationship exists between global mindset and firm international performance. Though Murtha et al. (1998) and Ransom (2007) observed global mindset by executive functions in relation to business strategy; the practical categories observed were different from the situations examined in this study. To the best of researcher knowledge no previous study observed global mindset quantitatively comparative to firm international performance. Therefore, this study provides new insights on the global mindset of owner managers. However, as the findings

indicated the positive linkage between global mindset and firm international performance; thus the importance global mindset must not be completely ignored or overlooked.

It is argued in the literature that global mindset is useful to a certain point. Beyond that point, global mindset does not result in improving firm international performance rather maintains the status quo or may prove detrimental for organization as they keep on investing their resources on global mindset but there are no substantial incremental gains. Caligiuri and Bonache (2016) referred that when they pointed to a phenomenon where the firms initially benefit from global mindset as a result there are some modifications in existing routines. However, beyond a certain point the same process of global mindset results only in random drifts rather than performance internationally. Thus, a lower to moderate level of global mindset is deemed more appropriate for resource constrained SMEs in the context of a developing country for a stronger global mindset and international performance relationship.

Overall, the results support previous studies noting the importance of global mindset and international performance of SMEs. The result provides further support for the assertion of contingency theory on global mindset by confirming the positive influence of this intellectual intelligence on the international performance of the firm. Fiedler's (1995) saying that firm efficiency is conditional on the firm's psychological orientation and global mindset.

A contribution of this study is that it provides statistical evidence of the relationship between global mindset and international performance, suggesting that these experiences are likely to increase the firm's global mindset significantly.

#### ***5.3.4. The moderating effect of the leadership behavior on the relationship between entrepreneurial orientation and firm international performance***

The interaction terms between the independent variable (entrepreneurial orientation) and moderating variable (leadership behavior) were examined to test the moderating effect. Results revealed that, while the interaction effect between leadership behavior and EO was found to be significant, the line graph illustrated in figure 4.8 elaborates that a positive relationship between EO and firm international performance would be stronger when leadership behavior level is higher. Thus, it can be said that higher level of leadership behavior result in a stronger relationship between EO and firm international Performance.

If small and medium sized organizations pursue leadership behavior aggressively, it may not benefit them as they may spend resources on developing leadership behavior which may not yield profitable for firm, as cost versus benefit ratio is much higher for investments in activities (leadership behavior) which do not yield immediate results. The effect of leadership behavior on EO - firm international performance relationship is largely contextual. The environment which surrounds the innovating firm can

significantly influence the results or an outcome which EO yields for that particular firm (Wiklund J., 2006; Rauch A., Wiklund, Lumpkin, & Frese, 2009 ; Gupta & Gupta, 2015; Engelen, Schmidt, & Buchsteiner, 2015).

### ***5.3.5. The moderating effect of the leadership behavior on the relationship between social capital and firm international performance***

The interaction terms between the leadership behavior and independent variable (social capital) were examined to test the moderating effect. Results revealed that the interaction effect between leadership behavior and social capital was found to be significant. As the results indicated that interaction with leadership behavior moderates the relationship between social capital and firm international performance, a graph was constructed to explain the moderating effect. The graph illustrated in figure 4.9 elaborates that positive relationship between social capital and firm international performance would be stronger when level of interaction with leadership behavior is higher. Therefore, empirical findings of the present study contrast with the literature which claims that greater interactions with external partners are more beneficial for small and medium firms in order to strengthen the social capital and firm international performance relationship as emphasized by Stam, Arzlanian, and Elfring, (2014) and Li, Chen, Liu, & Peng, (2014).

Although, the scenario indicates the importance of interacting with the leadership behavior (Planning, Coordinating, Communicating, Leading, Motivating, Collaborating.)



this concept is developed from various scientific background, i.e. economics, politics, and sociology with different connotations (Jansen, Curşeu, Vermeulen, & Gibcus, 2011; Oldroyd & Morris, 2012). From the enterprise viewpoint, social capital implies on asset in mobilizing social capital with predictable returns in the marketplace (Wang, Zhao, Shi, & Yu, 2012). Shared information reduces contract costs and moral danger through facilitate to understanding regarding input and output market (Capaldo, 2014). Hence, social capital is coupled with life satisfaction (Lim & Putnam, 2010), which is anticipated to be able to increase organizational culture (Lin & Steven, 2010) and promote collective decision-making and actions (Wolz, Fritzs, Buchenrieder, & Nedoborovsky, 2010).

Moreover, when SMEs interact with stake holders they are dictated and controlled by those external collaborators who decide about the volume of resources that SMEs ought to invest, and the gains they would receive as a result of such interaction and collaboration. Consequently, SMEs may employ substantial resources in leadership and interacting with supply chain members, stakeholders, facilitating governmental bodies and research institutes, whereas the gains or outcomes may turn out to be lesser than desired. Thus, for SMEs, the higher level of leadership behavior acquired through external interactions is preferred over greater extent of external interaction in order to facilitate social capital and firm international performance relationship.

### ***5.3.6. The moderating effect of the leadership behavior on the relationship between global mindset and firm international performance***

The interaction term between the leadership behavior and independent variable global mindset was examined to test the moderating effect. Results revealed that the interaction effect between interaction with leadership behavior and global mindset was found to be significant. As the results indicates that interaction with leadership behavior moderates the relationship between global mindset and firm international performance. In figure 4.9 elaborates that positive relationship between global mindset and firm international performance would be stronger when level of interaction with leadership behavior is higher. Therefore, empirical findings of the present study in favors with the literature which claims that greater interactions with external partners are more beneficial for small and medium firms in order to strengthen the global mindset and firm international performance relationship as emphasized by Ananthram (2010) Bouquet, (2005) Clapp-Smith (2009).

Globalization has greatly impacted leadership behavior, roles, and competencies. Although the basic requirements of effective global mindset has not changed (Gagnon, 2013; Javidan & Teagarden, 2011; Kyvik, Saris, Bonet, & Felício, 2013). The moderating effect of leadership behavior on global mindset and firm international performance on 320 SMEs show that there is an associate increasing want for leadership behavior with a capability to differentiate and integrate complicated and sometimes ambiguous data

(Levy, Beechler, Taylor, & Boyacigiller, 2007; Miocevic & Karanovic, 2012; Nummela, Saarenketo, & Puumalainen, 2004).

Research additionally indicates that there is a scarcity of worldwide leadership skills and competencies, and a shortage of leaders who will face the challenges of the twenty first century (Osland, Bird, & Mendenhall, 2012; Story & Jnr., 2011). This study confirmed that leaders nowadays want global mindset that's a replacement frame of reference with a capability to spot variations in political, economic, cultural, and social environments, and a capability to integrate these variations into important ideas to satisfy the competitive challenges of the world setting (Ananthram, 2010; Bouquet, 2005; Clapp-Smith, 2009).

Researchers have systematically needed additional empirical studies to validate the theoretical constructs and models on global mindset (Gagnon, 2013; Kyvik, Saris, Bonet, & Felicio, 2013; Ananthram, 2010). This study expanded the prevailing analysis on global mindset by providing a theoretical framework supported by empirical proof on the impacts of demographic and structure factors on global mindset, and also the effects of leadership behavior on global mindset and international performance of SMEs. As there has been a scarcity of empirical studies on linking global mindset to leadership behavior, this study offers new insights into understanding this relationship.

## **5.4. Contributions of the Study**

All through this study, numerous experiences have been given with respect to the issues concerned with the entrepreneurial orientation, social capital, global mindset, and leadership behavior of little and medium undertaking. This study is one of the spearheading thinks about in developing countries i.e. Pakistan, in following the impacts of EO, SC, GM, and LB with FIP. Also, this study endeavors to grow the limit of the present literature as it researched the directing impact of leadership behavior on the relationship among entrepreneurial orientation, social capital, global mindset, and firm international performance. By incorporating entrepreneurial orientation, social capital, and global mindset, the present study ensures critical significant contributions to the literature other than forwarding pragmatic suggestions for the considerations of the policy makers as well. The essence of the contributions of this study is introduced in the accompanying sub-segments.

### ***5.4.1 Theoretical contributions***

As it has been examined in the criticalness of the study in Chapter one, the commitments of this study are in a few contributions as described underneath.

In the first place, this study investigated the moderating impact of leadership behavior in the relationship among entrepreneurial orientation, social capital, global mindset and firm

international performance. In addition, it added to the writing by inspecting the connection between global mindset and firm international performance with regards to the developing countries. This study makes a critical expansion to the rare and uncommon rundown of quantitative studies connecting international performance of SMEs to social capital. As previously mentioned, there are various contextual investigations and other subjective reviews however there exists an intense deficiency of quantitative studies on social capital in SMEs.

Second this study highlighted the significance of entrepreneurial orientation that was particularly identified with business international performance. Elevated amounts of aggregate entrepreneurial orientation may contribute emphatically to firm international performance. In a correlation of the five measurements of entrepreneurial orientation, the scribes that added to firm international business performance were innovation, risk-taking, competitive advantage, autonomy, pro-activeness. EO was essentially decidedly corresponded with firm international performance. When all is said in done, entrepreneurial orientation added to enhanced business performance in this study. Past writing connecting entrepreneurial orientation with international performance is exceptionally restricted in number and extension. Study of entrepreneurial orientation in SMEs as in general and with regards to developing countries, specifically, is in itself an eminent commitment to the literature.

Third, the results of this study revealed that the joint effect of EO, SC, and GM on the firm international performance of SMEs was evidently strong. Besides, integrated effect,

the relationships of dimensions of entrepreneurial orientation (innovation, risk-taking, competitive advantage, autonomy, pro-activeness) and social capital (structure, conative, trust) and global mindset (intellectual intelligence, cultural intelligence) with firm international performance were measured collectively to give valuable recommendations to owners/managers of SMEs. Along these lines, the present study which joins entrepreneurial orientation, social capital, and global mindset to the international performance of SMEs in sports industry of Pakistan has been an endeavor to give experimental share of knowledge in uncovering the significance of scholarly insight and practitioner for SMEs in Pakistan, on the off chance that they desire to be profited from their global mindset perspective. Moreover; notwithstanding testing hypotheses this study has directed a thorough integrity of the empirical investigation to approve the model. All things considered, on research procedure foundation this study thoroughly approved the study instrument to assure considerable and solid outcomes since inadequately approved measures frequently yield erroneous conclusions.

As the outcomes exhibit a solid connection between entrepreneurial orientation, social capital and global mindset with firm international performance, this study reinforces the resource-based view (RBV) which places that the particular assets of a firm create better performance. The study confirms the perspectives Wernerfelt (1984), Barney (1991); Stam (2014) and Osland, Li, and Wang, (2014) who opined that entrepreneurial orientation, social capital, and global mindset are very significant, incomparable, and defectively versatile assets that can incredibly contribute towards higher international performance of SMEs.

This study additionally propels significant support to contingency theory by Lipuma (2013) who considered global mindset and leadership behavior that empowers a firm to arrange and reconfigure its asset stock and redeploy it to handle and adventure international market opportunities.

In addition, the study reinforces the contingency theory (LiPuma, 2013) where entrepreneurial orientation, social capital, and global mindset in order to sense, create, and seize market opportunities by acquiring, sharing and utilizing the knowledge existing in the system of an organization. Bellé, (2013) highlighted the centrality of leadership by expressing that the associations are quick learners are better put to present and run fruitful plans of action. By examining the directing impact of leadership behavior over the relationship among entrepreneurial orientation, social capital, and global mindset with firm international performance, the study broadens the vision of resource-based view and contingency theory.

Furthermore, as it was revealed through the results that entrepreneurial orientation, social capital, global minds set have integrated effects on firm international performance. The present study supports the theory of resource-based view (1983) which opined that a firm is a bundle of unique tangible and intangible resources and when it is optimally integrated, result in higher efficiency, effectiveness, and ultimately leads to higher growth performance.

#### ***5.4.2 Policy and managerial implications***

The findings of this study have essential commitments and approach suggestions for the policy makers and SMEs owner managers. In the light of these implications, policy makers in general and SMEs owner-mangers, specifically, can take measures which may demonstrate vital role for the performance of SMEs of developing countries as a rule and Pakistan in particular.

This study especially gives academic and practical experience on whether entrepreneurial orientation, social capital, and global mindset can be impacted by leadership behavior so as to improve the international performance of SMEs or not. Some of these commitments and experiences are demonstrated as takes after.

Findings of the study uncovered that keeping in mind the end goal to accomplish higher international performance. SMEs need to embrace entrepreneurial orientation. To advance entrepreneurial orientation, the government must give required socio-mechanical support to the business people so they can bring inventive measures with more certainty. More innovation parks, business incubation centers, and advisory cells must be built up in such manner as proposed by Hafeez, Shariff and container Mad Lazim (2012).To bolster the sports business of Pakistan specifically, the policy makers need to put a more accentuation on up degree of existing innovations and manufacturing facilities. As the



world pattern has quickly changed towards modernizations of sports items; there is a desperate need that automation must pick up force in sports industry in Pakistan. It is the main route forward for sports item producers in Pakistan on the off chance that they yearning to beat their global rivals. It holds particularly valid on account of manufacturing of footballs where Pakistan was previously the world's driving producer, however now it is lingering behind different countries, for example, India, China, and Thailand fundamentally because of the absence of access to hi-tech machinery and innovative manufacturing facilities.

Moreover, owners and managers of SMEs need to reduce the accentuation on customary and more seasoned methods for overseeing and operating businesses; dependence on existing and commodity sort items should be limited. They ought to grasp new innovations to enhance their current business items and procedures. What's more, global mindset practices ought to be grasped in administrative and showcasing exercises to accomplish profoundly maintainable sustainable competitive advantage and unrivaled international performance of SMEs.

In addition, SMEs ought to put resources into global exercises to assemble a decent picture and notoriety inside neighborhood and crosswise over international market. They should build up an orientation towards global mindset and accentuate on leadership behavior in the event that they need to exceed their firm international performance. At long last, to promote entrepreneurial orientation and social capital SMEs need to upgrade their leadership abilities among owner managers to think of new thoughts and to

complete their errands in the novel and global way, by interfacing with outside condition and stockholders. SMEs ought to urge their administrators to get more information and new abilities keeping in mind the end goal to be competitive in global business condition. This can be accomplished if SMEs dispatch preparing projects and workshops to teach their representatives and to make better comprehension about hierarchical entrepreneurial orientation in the mind of their managers. SMEs ought to advance R&D strategy and make a domain where new thoughts and trials are constantly empowered. It should be possible if firms create formalized systems to empower sharing of best practices among manager and subordinates. What's more, SMEs ought to refresh their inner information based frameworks for workers' better understanding about authoritative understandings (Durst, 2012).

It is emphatically trusted that to achieve competitive advantage through entrepreneurial orientation social capital, global mindset and leadership behavior, firm should figure out how to react to outer and inner condition of the firm. The global mindset culture sponsored by leadership behavior would at long last prompt improvement. This culture can be accomplished when managers give representatives enough assets and time to learn and share information and culture ought to be adaptable to welcome new and global components which at long last prompt higher international performance. These suggestions are clearly related with sports industry of Pakistan however it can be appropriate to different segments also.

## 5.5 Limitations of the Study

The examination relating to business and financial reviews are generally experienced with numerous impediments for the clear reasons and the present study is no special case to the wonder. The present study has experienced some particular impediments, for example, the extent of the study is constrained as it concentrates on entrepreneurial orientation, social capital and global mindset in SMEs in sports industry of Pakistan. Besides, the review was performed in the city of Sialkot in light of the fact that sports industry is comprises of more than 3229 SMEs. Territorial studies could experience the unfavorable effects of inclination, if there are contrasts in the attributes of firms and owner managers among areas. However, the past literature invalidate locale based and area based elements being noteworthy in the study of SMEs (Raju et al. 2015; Thomas, 2015).

Finally, the study is cross sectional in nature in view of time and cost limitations. A longitudinal study helps in making better comprehension about the matter we are studying, so a similar model ought to be tried by playing out a longitudinal study keeping in mind the end goal to get top to bottom investigation. It is likewise required to exhaustively study the model by utilizing interviews and other solid strategies as questionnaire based overview has its own particular constraints.

## 5.6 Recommendations for Future Research

This study proposes a noteworthy structure connecting three unique literature streams to be specific as entrepreneurial orientation, social capital, and global mindset. This framework can be experimentally tried in various countries particularly the developing countries and crosswise over various ventures to sum up the results. It would be exceptionally intriguing to concentrate the distinctions in entrepreneurial orientation, social capital, and global mindset systems among SMEs and to examinations their effect on firms' international performance.

In case of entrepreneurial orientation, the dimensions of autonomy and risk taking behavior can be further investigated and their effects on firm international performance can be explored. In particular, the effect of risk taking behavior ought to be measured crosswise over businesses and countries. The present study uncovered a positive connection between entrepreneurial orientation and firm international performance. However, the relationship was significant. For better understanding, this relationship ought to be concentrated on longitudinal frame of time. Additionally, the viability of radical versus incremental entrepreneurial orientation can be given due thought in future studies. Future scientists can attempt to build up what sort of entrepreneurial orientation is more suited to which kind of sector.

The study gives new experiences into seeing how firms and owner- managers may expand their global mindset to enhance international performance that is critical for SMEs. The study has essential results for business experts in helping organizations to create firms with a global mindset. Future research is expected to analyze the connection between leadership behavior and firm international performance to recognize the impacts of global mindset on international performance. It is the expectation of this researcher that findings of study will create an on-going interest and extra research on how firms may create global mindset abilities and how global mindset may enhance international performance, as this point will keep on being vitally dynamic to a wide range of SMEs that work in a global domain.

Besides, future studies can utilize different moderators instead of leadership behavior, for example, competitive structure, absorptive capacity, organizational structure, government support or environmental dynamism to analyses the moderating impact on the connection between entrepreneurial orientation, social capital, and global mindset on firm international performance. Besides, longitudinal studies in such manner can give inside and make important contribution in the scholastic literature with respect to entrepreneurial orientation, social capital, and global mindset in SMEs.

## 5.7 Concluding Remarks

This study is a spearheading endeavor to inspect the effect of entrepreneurial orientation, social capital, and global mindset with firm international performance with moderating impact of leadership behavior. The study considerably adds to the current literature on entrepreneurial orientation, social capital, and global mindset with regards to a developing economy, for example, Pakistan. The study recommends that policymakers and the government of Pakistan need to patch up the international business strategy to help the international performance of sports sector SMEs.

Furthermore, SMEs in Pakistan require a more prominent concentrate on creating and supporting their recognized picture and personality in nearby and also foreign business zones by moving their concentration to entrepreneurial orientation, social capital, and global mindset enhances. Social capital makes ready for building a solid personality and corporate notoriety which can shield SMEs from contenders and can enable them to compete with their business rivals.

The present study additionally improves and extent past research about entrepreneurial orientation and firm international performance by joining the part of leadership behavior as a moderator. The findings recommended that leadership behavior explicitly moderates the relationship among entrepreneurial orientation, social capital and global mindset. The principle concentrate of study was on sports division of Pakistan yet the review has a few

speculations that it can be connected to different industries in SMEs. In developing nations like Pakistan, it is very vital to explore the part of leadership behavior especially in areas like Textile, Leather, Ceramic, Furniture, Banking and Sports divisions which offer help to the economy of developing nations. Future studies can look at whether there are any distinctions crosswise over different industries.

The fundamental contribution of the exploration is in two folds. To start with it gives the appropriate responses of different inquiries as per the need conversed in literature. The review has utilized moderator keeping in mind the end goal to settle the irregularities that exist the connection between global mindset and firm international execution. Also the examination is useful in concentrate authoritative leadership. Despite the fact that the part of leadership behavior as an arbitrator between entrepreneurial orientation, social capital with the firm international performance was exceptionally noteworthy however the connection between global mindset and firm international performance is less significant, it was watched that the leadership behavior advances support to the relationship as a result of its association with EO, SC, GM and firm international performance. Along these lines, leadership behavior should be elevated to change a firm into a leading organization. SMEs must interconnect with vital market players (suppliers, distributors, customers, universities, research laboratories, governmental agencies) that can directly impact on the firm international performance of SMEs through social capital. Notwithstanding, SMEs ought to likewise concentrate on creating entrepreneurial orientation through indigenous learning and use inside resources as a more significant level of dependence on international partners can also be unfavorable (Engelen, 2015).

The core of the majority of the previously mentioned is that in this contemporary time of competition among businesses, the splendid and most encouraging future holds for those SMEs who would try to enlarge their performances by embracing the business forms that are global mindset, social capital and entrepreneurial orientated. Entrepreneurial practices are the turnkey answers for those firms which are in forceful quest for unrivaled firm international performance.

Entrepreneurial orientation would constantly drive the managers to target new and existing clients with new and technically propelled items by utilizing most recent and best in class advances and inventive thought. Though, global mindset would drive and direct the leaders to set up a sound firm image and behavior that would bestow a positive and dependable effect on perceptual maps of existing and potential clients. The clients would see and imagine the firms related to solid global mindset as various and better than rest of contenders. Once an association prevails with regards to building a positive observation in the psyches of potential clients, it can receive the benefits for a drawn out stretch of time. Such associations appreciate a prevalent position in market and are in better position to snatch bigger piece of the pie globally. They can likewise endure to offer their items at higher costs as the clients will pay the exceptional costs for mechanically progressed and very unique items. To close, entrepreneurial orientation, social capital, and global mindset are the route forward for SMEs; these are the instrumental variables that can lead the SMEs towards accomplishing stable firm international performance.



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## APPENDIX A



### BUSINESS SURVEY OVER SMALL MEDIUM ENTERPRISES IN SPORTS INDUSTRY OF SIALKOT, PAKISTAN

Dear Respondent,

TO WHOM IT MAY CONCERN

I am PhD student at University Utara Malaysia, who conducting a business survey over small medium enterprises in sports industry of Sialkot, Pakistan. Through your participation, I eventually hope to understand how entrepreneurial orientation, global mindset social capital and leadership behavior effects on international performance of small and medium enterprises.

Enclosed with this letter is a brief questionnaire that asks variety of questions about your organization. If you choose to participate, do not write your name on the questionnaire. Your responses will not be identified with you personally, nor will anyone be able to determine which company you work for.

I hope you will take a few minutes to complete the questionnaire. Without help of people like you, research on entrepreneurial orientation could not be conducted. Your participation is voluntary and there is no penalty if you do not participate. Thanking you in anticipation of your response.

Yours sincerely,

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**Co-supervisor**

**Background Information**

**Firm Background**

How long your firm has been established? 1) 1-5 (years)

2) 6-10 (years)

3) 11 – Above (years)

How many employees do your firm hire? 1) 1-50

2) 51-150

3) 150-250

4) 250- Above

**Respondent Background**

Respondent's gender Female .....

Male .....

Respondent's education background 1. Post graduate

2. Undergraduate

3. High school

4. Primary school

Respondent's position at the firm 1. Owner-manager

2. Owner

3. Manager

4. Asst. Manager

5. Others please specify.....





## Entrepreneurial Orientation

Please review each of the following statements and tick the item that best represents your firm. Selection 1 indicates that you strongly disagree with the statement, selecting a 7 indicates that you strongly agree with the statement.

No	Entrepreneurial Orientation (EO)	1	2	3	4	5	6	7
1	Our firm supports the efforts of individuals work autonomy							
2	The managers of my firm encourage individuals to decide for themselves what business opportunities to pursue.							
3	In our firm, individuals make decisions on their own without constantly referring to their supervisor.							
4	In our firm, the top managers play a major role in seizing the global business opportunities that my firm pursues.							
5	Our firm has a strong proclivity for high risk projects with chances of very high returns.							
6	Owing to the nature of the global environment, bold and wide-ranging acts are							

	necessary to achieve firm's objective.							
7	Our firm obtains financing for a new global project.							
8	Our firm starts its business without adequate resources.							
9	Our firm is eager to achieve high growth in global business, even during uncertainty.							
10	To deal with uncertainty, our firm typically adopts a cautious, "wait-and-see" posture to minimize the risk.							
11	The managers of my firm prefer to study a problem thoroughly before deploying resources to solve it.							
12	The managers of my firm are quick to deploy resource on potential solutions if problems are holding us back.							
13	Our firm is very creative in using and controlling resources.							
14	Our firm typically develops creative solutions to deal with difficult problems.							

15	Our firm emphasizes research and development, technological leadership and innovations.							
16	Our firm favors a strong emphasis on marketing as compared with research and development, technology leadership, and innovation.							
17	Our firm has many new lines of new products or services in the last three years.							
18	In our firm, changes in product or service lines have been mostly of a minor nature.							
19	In dealing with competition, our firm typically initiates actions to which competitors then respond.							
20	Our firm prefers to a competitive "undo-the-competitors" posture.							
21	Our firm is the first business to introduce new products or services, administrative techniques, and operating technologies.							
22	Our firm puts together a team of the "right"							

	people to identify global market trends.							
23	In dealing with competitors, our firm typically seeks to avoid competitive clashes							
24	The top managers of our firm have a strong tendency to "follow the leader" in introducing new products.							
25	Our firm is very aggressive and intensively competitive to take international business from the competition.							
26	Under uncertainty, our firm typically adopts a bold, aggressive posture to exploit potential opportunities.							
27	Our firm prefers to make no special effort to take business from the competition.							

## Social Capital

Please review each of the following statements and tick the item that best represents your firm. Selection 1 indicates that you strongly disagree with the statement, selecting a 7 indicates that you strongly agree with the statement.

No	Social capital (SC)	1	2	3	4	5	6	7
1	In our firm, all division recognizes that we need each other to accomplish our objectives.							
2	In our firm, sales people would be just as effective without working with other divisions.							
3	By working with sales people in our firm, our product division gets access to resources and product ideas.							
4	Our firm knows our suppliers in persons.							
5	Our firm maintains close social relationship with international buyers.							
6	The exchange of information among our firm's global contacts usually has a similar							

	content.							
7	The global contacts of our firm with which we maintain frequent relationships, in general, know each other.							
8	The global contacts of our firm from which we receive advices or information for making important decisions have strong relationship.							
9	Suppliers of our firm always keep their promises to us.							
10	Our firm is characterized by high reciprocity.							
11	Our firm is characterized by mutual trust among the colleagues at multiple levels.							
12	Our staffs share organization vision with each other.							
13	There is a good understanding among our firm's global partners.							
14	Our firm's strategic alliance is about mutual respect.							

15	Our firm's strategic alliance is characterized by personal friendship.							
16	Our firm's strategic alliance is characterized by personal friendship among the top managers.							
17	Our firm's strategic alliance is characterized by a cooperative attitude.							
18	Our staffs are good at dealing with customers.							
19	Our divisions in our firm have effective communication channels.							
20	To exchange different amount of information is our firm's typical issue.							
21	Our staffs' success is our business success.							
22	This business deserves loyalty from all staffs							
23	Our staffs share a common understanding about needs of the customers.							
24	Our staffs have a common understanding							

	about global market trends.							
<b>25</b>	Our divisions in our firm understand each other's needs and priorities.							



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### Global mindset

Please review each of the following statements and tick the item that best represents your firm. Selection 1 indicates that you strongly disagree with the statement, selecting a 7 indicates that you strongly agree with the statement.

No	Global mindset (GM)	1	2	3	4	5	6	7
1	Our firm understands economic, political, social, and cultural differences impacting business.							
2	Our firm experience difficulty integrating business plans across countries, regions, and cultures to meet local and global needs.							
3	Our firm incorporates multiple points of view from other countries and cultures when making business decisions.							
4	Our firm feels comfortable assessing risks and opportunities in global business.							
5	Our firm finds difficult working with ambiguity and unstructured situations in business.							
6	Our firm feels confident analyzing complex business issues and presents them to others.							

7	Our firm experience difficulty handling decisions under uncertainty or tight time constraints.							
8	Our firm regularly monitors international news, political, social, economic, and world events.							
9	Our firm experience difficulty evaluating global business and country environments.							
10	Our firm attempt to learn about the business practices and environments of other countries.							
11	Our firm experience difficulty understanding the cultures and traditions of other countries.							
12	Our firm enjoys traveling and meeting people from different countries and cultures.							
13	Our firm uses the same leadership behavior in different cultural settings.							
14	Our firm like working with people from different cultures and countries.							
15	Our firm feels uncertain communicating							

	with people from different countries and cultures.							
<b>16</b>	Our firm understands how cultural values, norms, and attitudes influence business practices.							
<b>17</b>	Our firm believes cultural differences are a source of competitive advantage in business.							
<b>18</b>	Our firm respects the history, traditions, religion, and culture of other countries.							



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## Leadership Behavior

Please review each of the following statements and tick the item that best represents your firm. Selection 1 indicates that you strongly disagree with the statement, selecting a 7 indicates that you strongly agree with the statement.

No	Leadership Behavior (LB)	1	2	3	4	5	6	7
1	Our firm assesses global opportunities, challenges, risks and competition in our business.							
2	Our firm analyzes economic, political, social, and cultural factors that impact our business.							
3	Our firm solicits information from business units outside our home country.							
4	Our firm analyses multiple opinions to take care of business issues.							
5	Our firm use manufacturing, marketing, or submission techniques outside our home town.							
6	Our firm combines supplier systems through different countries.							

7	Our firm discusses details and decision-making with professionals in different areas of the world.							
8	Our firm develops organizational values that represent diverse perspectives among cultures and countries.							
9	Our firm delegate assign tasks across cultures and countries.							
10	Our firm selects and promotes people from a global talent pool.							
11	Our firm engages in cross-cultural training and international staff development.							
12	Our firm respect, appreciates, and praises the accomplishments of employees.							
13	Our firm use rewards and incentives that reflect the values, goals, and aspirations of employees.							
14	Our firm encourage, coach or mentor people from different countries and cultures to work together to achieve goals and objectives.							

<b>15</b>	Our firm seeks the views of stakeholders from different countries and cultures.							
<b>16</b>	Our firm responds to differences in business practices, cultures or country environments.							
<b>17</b>	Our firm participates in cross-cultural meetings, brainstorming sessions, and other global information sharing activities.							
<b>18</b>	Our firm works with representatives of political, social, cultural or civic institutions in other countries.							
<b>19</b>	Our firm use networks across countries and cultures to achieve business objectives.							
<b>20</b>	Our firm develops partnerships, alliances or ventures with companies in other countries.							

### **Firm International Performance**

The following statement pertains to assess the firm international performance. Please review each of the following statements and tick the item that best represents your firm.

Selection 1 indicates that the lower performance, selecting a 7 indicates that higher performance.

<b>No</b>	<b>Firms international performance (FIP)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>1</b>	Export Sales growth (last three years)							
<b>2</b>	Export profit (last three years)							
<b>3</b>	Revenue generated from international sales (last three years)							
<b>4</b>	Speed of new market entrant (last three years)							
<b>5</b>	Overall performance (last three years)							