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Collectivistic Orientation, Decision-making Process, and Local Linkages in International Entry: A Study of Chinese SMEs

Abstract. External networks constitute a critical aspect in SME (small and medium-sized enterprise) internationalisation, which nevertheless has seldom been explored from the perspective of international decision-making. To respond to this research insufficiency, this study firstly sets and investigates a baseline association between collectivistic orientation of decision-makers and the employment of local linkages for the international entries of SMEs. The relationship is further assessed by incorporating two critical decision-making process (DMP) dimensions in terms of procedural rationality and problem-solving dissension as its boundary conditions. An analysis of 208 internationalised Chinese privately-owned SMEs suggests that collectivistic orientation is positively related to the employment of local linkages; and, procedural rationality and problem-solving dissension moderate the association according to our expected hypotheses.

Keywords. Collectivistic orientation; Local linkages; Procedural rationality; Problem-solving dissension.

Introduction

Collectivistic orientation represents one of the most highly examined individual differences on ‘social connectedness’ in organisational research (Earley and Gibson,

1998, p. 266; Oyserman et al., 2002; Triandis et al. 1995), which captures the aspect that an individual relates herself (himself) to her (his) social group. Distinct from individualists, collectivists prioritise social relationship over personal identity when they are not consistent (Wang et al., 2017). Given their emphasis of interdependence and sensitiveness to relationship, collectivist managers are suggested to employ networks more readily than individualist counterparts for their business operations (Hui et al., 2015; Oyserman et al., 2002; Narooz and Child, 2017).

The research of small and medium sized enterprise (SME) internationalisation highlights local linkages to the international entries of SMEs (Chen et al., 2004; Coviello, 2006; Oviatt and McDougall, 1994). Local linkages refer to SME external networks in a host country, which consist of a bundle of interconnected relationship with local actors (Chen et al., 2004). As international entries may involve both economic transactions and business development, these actors usually include firms in industry cluster, local institutions, and ethnic community (Chen et al., 2004; Montoro-Sanchez et al., 2018; Prashantham et al., 2015). The rationale underpinned SMEs' utilisation of external networks for international entries is often interpreted as a remedy for their inherent 'smallness' and 'newness' or a response to external stimuli (e.g. institutional voids or distance) (e.g. Chetty and Wilson, 2003; Chetty and Stangl, 2010; Ellis and Pecotich, 2001; Johanson and Vahlne, 2009; Narooz and Child, 2017; Oviatt and McDougall 1994; Prashantham et al., 2018).

Nevertheless, only a scant number of empirical studies in this field has tapped the association between managerial value and the employment of local linkages for

international entries (Brouthers and Hennart, 2007; Thanos et al., 2017). Especially little is known whether this association varies when different entry decision-making processes (DMPs) are employed (Ali et al., 2017; Child and Hsieh 2014; Thanos et al., 2017). The research insufficiency may primarily attribute to the absent role of decision-maker and DMPs in extant international business research models (Child and Hsieh 2014). Consequently, organisational activities derived from managerial decision-making has seldom been investigated in the internationalisation of SMEs (Aharoni et al., 2011). Indeed, according to strategic decision-making literature, DMPs involving information-processing activities that collect, interpret, and synthesise relevant information intertwine with managerial value to serve as the basis of strategic choice (Child, 1972; Hambrick and Mason, 1984). The tenet implies that DMPs may act as a critical organisational boundary condition for the effect of managerial value in international decision-making. Similarly, the pleas that DMPs should be incorporated as an important contextual variable appear in both entrepreneurship (e.g. Covin et al., 2006) and SME internationalisation literature (e.g. Thanos et al., 2017).

This study intends to examine the moderating effects of two critical DMP dimensions in terms of *procedural rationality* and *problem-solving dissension* on the baseline association between collectivistic orientation of decision-maker and the employment of local linkages for SME international entries. Procedural rationality was selected as it occupies the central role in DMP research (Elbanna, 2006), which depicts an attempt to achieve the best possible decision through an analytical

comprehensiveness (Dean and Sharfman, 1996). Accordingly, for this study, it is defined as the extent to which decision-makers collect and analyse information in relation to international entry, and rely on the information analysis to make the choice (Ali et al., 2017; Ji and Dimitratos, 2013). Striving for best informed decision-making, this DMP dimension provides a logic reference to subsequent organisational behaviours and is expected to have an impact on entry activities promoted by managerial preference (Tse et al., 1988). Problem-solving dissension constitutes another critical DMP dimension that is to do with cognitive disagreement arisen in decision-making. It refers to the extent to which the differences on objectives, methods, and solutions to problems occur in a given international entry DMP (Clark and Maggitti, 2012; Papadakis et al., 1998). This dimension was included as collectivists might behave differently in presence of substantial conflicts (Olsten et al., 2007) and prior evidence also suggests its significance in the context of SMEs (Clark and Maggitti, 2012).

Specifically, this study seeks to answer two research questions: (1) How does collectivistic orientation affect the employment of local linkages for SMEs' international entries? (2) How do procedural rationality and problem-solving dissension moderate the relationship? An analysis of 208 internationalised Chinese SMEs suggests a positive relationship between collectivistic orientation and the employment of local linkages for their international entries and a moderating role of procedural rationality and problem-solving dissension in this association.

This study makes three important contributions to the literature. First, it extends

SME internationalisation research by incorporating the perspective of international decision-making (Aharoni et al., 2011; Child and Hsieh 2014) into exploring the utilisation of local linkages for SMEs' international entries. Our analysis confirms the effectiveness of this perspective that foreign entry activities of firms inevitably reflect the idiosyncrasy of SME decision-makers and the characteristics of entry DMPs (Aharoni et al., 2011). Therefore, the current study constitutes a novel step that goes beyond an analysis of internal resources and external environmental determinants to explain why some SMEs are engaged in networking activities in internationalisation, which advances the research of external networks in SME internationalisation (e.g. Chetty and Stangl, 2010; Johanson and Vahlne, 2009). Second, it explores internal boundary conditions of the effect of managerial value in entry decision-making, which substantially enriches prior research solely taking external environmental factors as contingency conditions (Thanos et al., 2017). Consequently, it signifies organisational processes to the international behaviours of SMEs (Child and Hsieh 2014). Third, an investigation of internationalised SMEs from a collectivistic society, China, provides an important contextual complementarity (Tian et al., 2018) to the studies of SME internationalisation as most of them are based on samples from individualistic societies (Liu et al., 2008).

This paper is structured as follows. In the next section, the paper reviews the literature behind collectivistic orientation and develops related research hypotheses, which is followed by the section of methodology. The results of the statistical analysis and discussion of findings are presented in the penultimate section. The

final section analyses the implications, and discusses the limitations of the study and the directions for further research.

Research background and hypotheses development

According to organisational research (Singelis, 1994; Wang et al. 2017), collectivistic orientation essentially reflects individual's conceptualisation of self that is manifested in a belief of "the relationship between the self and others and, especially, the degree to which they see themselves as separate from others or as connected with others" (Markus and Kitayama, 1991, p. 226). Collectivists believe that selves and others are interweaved, who are also shaped by situation or context. Therefore, the self-esteem of collectivists mainly come from their maintenance of harmonious relationship with others and appropriately adjust themselves according to situation (Singelis, 1994). Given their emphasis of social relationship, collectivists tend to care for others' feeling by attempting to read the ideas of others and employ indirect communications to avoid potential conflicts with them. When considering the relationship between individual and group, collectivists prioritise collective goals over individual ones when they are not in congruence. They appreciate group membership and are willing to sacrifice self-interests to ensure group goals or welfares (Triandis et al., 1995). Due to their sensitivity to relationship, collectivists distinguish well connected in-groups from little connected out-groups, and treat them differently (Chen and Li, 2005; Hui et al., 2015).

As shown in Figure 1, prior to the focal contingency relationships, we set up a

baseline hypothesis by suggesting that collectivistic orientation promotes the employment of local linkages for SMEs' international entries for three main reasons. For collectivist SME decision-makers who emphasise interdependence (Husted and Allen, 2008), a strategic vision that firms are in nested formal or informal relationships rather than isolated and independent units in international market (Johanson and Vahlne, 2009) is more likely to be sensed and developed. In making entry decisions, they tend to pay greater attention to the connectedness of relevant local players and associated collaborative opportunities in host countries, which may subsequently promote their utilisation of external networks for international entries (Levy, 2005; Levy et al., 2007). Second, compared to individualists, an appreciation of insidership (Johanson and Vahlne, 2009) may encourages collectivist SME decision-makers to seek trustful information, cooperation opportunities, and pre-commitments from relevant and in-group actors in host countries as a starting point for international entries (Sarasvathy et al., 2014; Zaheer and Zaheer, 1997). The reduced uncertainties and transaction costs via these initiative activities (Sarasvathy et al., 2014) may reinforce further utilisation or extension of external networks for the international entries. Third, practically speaking, for collectivists, their sensitiveness of individual relationships, loyalty to group, and adjustability to situation may facilitate their SMEs to comparatively easily be connected to local actors and benefit from them. All these arguments collectively indicate that managerial collectivistic orientation promotes the employment of external networks for their foreign entries. To sum up, we suggest:

Hypothesis 1: For SMEs, collectivistic orientation of decision-makers is positively related to the employment of local linkages for their international entries.

The moderating role of DMP dimensions

Procedural rationality. Grounded on the literature of strategic decision-making (e.g. Ali et al., 2017; Dean and Sharfman, 1996), we estimate that procedural rationality may strengthen the influence of collectivistic orientation of SME decision-maker on the employment of local linkages for international entries. When the levels of procedural rationality of entry decision-making are high, intensive information collection and analysis could provide a more complete picture of internal and external conditions, typically including limited international experience, insufficient resource bundles (Liu et al., 2008), and identified institutional and cultural differences to Chinese SME decision-makers. The provision of richer information and analysis may lead to a cognitive confirmation of the necessity of local linkages to the international entry that has been promoted by collectivists' inherent preferences to interdependence and cooperation (Husted and Allen, 2008). Also, when considering decision alternatives, a DMP characterised with high degree of procedural rationality facilitates a systematic examination of the connectedness of actors and their associated advantages and disadvantages in the host country. Such an analysis could reduce the relevant costs and time associated with the network approach preferred by collectivists and make it more attractive since such a DMP

may assist a development of pathways to potentially the most appropriate actors or an employment of the most suitable existing partners in the host countries. Nevertheless, when the levels of procedural rationality for entry decision-making are low, DMPs without enough facts and analyses may produce a difficulty for collectivist decision-makers to justify their preferences to the employment of local linkages in relation to the entry objectives (Dean and Sharfman, 1996). Besides, the confidence in using external networks does not seem to be strong without a clear logic supported by comprehensive data and analysis. To sum up, we suggest:

Hypothesis 2: For SMEs, in high levels of procedural rationality, stronger collectivistic orientation will be associated with more intensive employment of local linkages for their international entries.

Problem-solving dissension. We argue that problem-solving dissension may attenuate the effect of collectivistic orientation on the employment of local linkages. To begin with, too much dissension in decision-making is well conducive to personal affective conflicts as great cognitive differences in decision-making will easily translated to be disrespectful to persons (Ensley and Pearce, 2001). To respond this situation, collectivist decision-makers are more likely to sacrifice their preferred option to maintain harmonious relationships with other participants in such a DMP. Also, strong dissension is likely to increase communication and persuasion work for collectivist decision-makers, by which they will ensure their valued relationships

between participants unaffected. Consequently, it results in a slowdown in speed of information processing and opinion integrating (Wong and Tjosvold, 2010). SMEs may not be able to efficiently interact and benefit with local actors given a high temporal requirement for SME entries (Acedo and Jones, 2007; Hilmersson and Johanson, 2016). On the contrary, when little dissension occurs in the decision-making, managerial favoured network approach is more likely to be accepted in absence of critical evaluation as dissension is an outcome of heterogeneous perceptual filters (Kellermanns et al., 2008). Besides, the phenomenon of group thinking could also arise in such a DMP (Janis, 1972), which may lead to a pure pursuit of conformity and an oppression to heterogeneous ideas. Therefore, to sum up, we suggest:

Hypothesis 3: For SMEs, in high levels of problem-solving dissension, stronger collectivistic orientation will be associated with less intensive employment of local linkages for their international entries.

Figure 1 here

Research methods

This study intended to examine the role of managerial value and DMP dimensions in decision-making for the most important international entries of Chinese internationalised private-owned SMEs. These entries were chosen as decision-making effects become more salient with an escalation of decision

significance (Papadakis and Barwise, 2002). Informants were recommended to overall assess three aspects to determine the importance of foreign entry, which included the criticalness of this entry to firm growth, to firm overall operation, and the consequential seriousness if this entry was delayed (Elbanna and Child, 2007). We focused on Chinese private-owned SMEs as they have seldom been explored in relation to their internationalisation compared to their giant state-owned counterparts (Liang et al., 2012; Liu et al., 2008). Given China being the manufacturing hub of the world, we concentrated on this primary sector. In accordance with Siu and Liu's (2005) practice in China, we defined SMEs as firms with fewer than 500 employees.

Data collection

We constructed a sampling pool based on the private-owned members of the China Council for Promotion of International Trade (CCPIT) in the manufacturing sector, located in the Yangtze Delta and Beijing City. The focal geographical areas represent nearly 40 percent of the outward FDI stock (excluding investment made by state-owned key enterprises) (MOFCOM, 2017) and 39 percent of the value of exports of China (National Bureau of Statistics of China, 2017). CCPIT is a non-official organisation consisting of nearly 70 thousand internationalised Chinese firms. 550 members randomly selected from the pool were contacted by a mailed questionnaire, which was assisted by an independent contractor. Following prior research practices in China (e.g. Luo, 2001), the employment of contractor with strong social capital is suggested to be an effective solution to remedy data

inaccessibility for survey in emerging economies (Hoskisson et al., 2000). Costs and time determined the number of the respondents. Four weeks later than the first shoot, the second mailing was sent to non-response firms.

Given the focus of this study, the primary decision-maker of the international entry was targeted in terms of the owner/CEO (usually being the identical person in Chinese private SMEs) or the manager who was responsible for international operations in the firm. Besides the DMP variables of interest, the questionnaire covered the background information of the respondent, his/her firms, host environment, and the international entry. Translation and back-translation procedures (Brislin, 1970) were adopted to ensure the consistency of the Chinese and English versions of the questionnaire.

Eventually, we received 208 useable replies from internationalised SMEs after discarding 59 responses that either were from larger firms or missed the information to key variables. The potential effects of the survey location and non-response bias (Armstrong and Overton, 1977) were further examined. A set of t-tests show that no statistically significant differences in firm revenues and years of international operations between the two focal regions ($p = 0.76$; $p = 0.65$, respectively) as well as between early and late replies ($p = 0.78$; $p = 0.35$, respectively), which suggested these threats to be negligible.

Operationalisation of variables

Dependent variable. Employment of local linkages was measured by the sum of four

seven-point Likert items, drawn from Chen et al. (2004) and Zhao and Hsu (2007). Respondents were asked to assess the significance of entrants' connection to four types of actors in the host country to the international entry (1 = not significant, 7 = very significant), which include local or international firms with previous business or cluster relationships, the overseas ethnic (Chinese) community, local government, and pioneering ethnic (Chinese) firms from the same industry. The sum of the scored four items were calculated, which was then employed in later analyses. We used this solution as it can increase variation of this variable (in contrast to a binary question "yes" or "no") and avoid an over-taxation of the respondent's memory (in contrast to an enquiry 'specifying your firm's networks in the host country for the entry') (Peng and Luo, 2000).

Independent variable. Collectivistic orientation was measured by an eight-item seven-point Likert scale (1 = strongly disagree; 7 = strongly agree), adopted from Earley (1994). The scale (Cronbach's alpha = 0.81) captures collectivistic values as individual differences and its effectiveness was previously assessed among Chinese managers (Earley, 1994). Exemplar items include "The needs of people close to me should take priority over my personal needs", "Problem solving by groups gives better results than problem solving by individuals", and "If a group is slowing me down, it is better to leave it and work alone" (reverse scale).

Moderators. Procedural rationality was measured by a five-item seven-point Likert

scale (Cronbach's alpha = 0.73) drawn from Dean and Sharfman (1996). Respondents were asked to assess the extent (1 = not at all, 7 = very much) of relevant information gathering, analysis of relevant information, use of analytic techniques, focus of attention on crucial information, and overall evaluation of analytic intensiveness in the entry decision-making. *Problem-solving dissension* was measured using a three-item seven-point Likert scale (Cronbach's alpha = 0.77) drawn from Papadakis et al. (1998). Respondents were asked to assess the extent of dissension (1 = not at all, 7 = very much) on: the objectives sought by the entry decision; the proper methodology to follow; and the proper solution to the problem.

Controls. With reference to prior studies, we controlled for the potential influences of external environment conditions and sector differences, firm-specific conditions, characteristics of decision-maker, and entry motives.

First, external environmental conditions and sector differences are important to foreign entry behaviours (Brouthers and Hennart, 2007). We controlled for four aspects in terms of environmental stability (Cronbach's alpha = 0.84) and environmental hostility (Cronbach's alpha = 0.71) in the host country, psychic distance (Cronbach's alpha = 0.73) between the home and the host country, as well as sector differences. Drawn from Brouthers and Nakos (2004), *environmental stability* was measured by a three-item seven-point Likert scale (1 = not at all, 7 = very much), which assessed the general stability of the host country, remittance safety of converting and repatriating the income of the firm, and ownership security

due to host government possible actions; developed by Khandwalla (1977), *environmental munificence* was gauged by three seven-point Likert items (1 = not at all, 7 = very much), which assessed the ease of survival, richness of opportunities, and dominance by the firm in the host country respectively; developed by Klein and Roth (1990), *psychical distance* was captured by a five-item seven-point Likert scale, which assessed the extent (1 = not at all, 7 = very much) of dissimilarities between the host country and China in respect to economic environment, communication infrastructure, language, business practices, and the legal system; three dummy variables were used to capture the *sectors* of electronics, chemicals, textiles, and others respectively. The former three accounted for over 92 percent of the focal firms.

Second, firm-specific conditions are suggested to be critical to networking behaviours associated with foreign entries (Brouthers and Nakos, 2004; Chen et al., 2004). We controlled for four aspects including firm size, firm revenue, international experience, and local experience. *Firm size* was scaled by the natural logarithm of the number of employees. As SMEs are usually not willing to provide their financial data (Brouthers and Nakos, 2004), we use a categorical variable to measure their *revenue*. Respondents were asked to select the appropriate turnover range of their firms for the year before the entry: “1” for under RMB ¥ 5 million; “2” for between RMB ¥ 5 million and RMB ¥ 30 million, “3” for between RMB ¥ 30 million and RMB ¥ 300 million, and “4” for RMB ¥ 300 million and over. *Firm international experience* was measured by the number of years of international activities before

the focal entry (Brouthers and Nakos, 2004). *Local experience* in the host country was measured by a two-item seven-point scale (Cronbach's alpha = 0.70). Drawn from Shi et al. (2001), it assessed the extent (1 = not at all, 7 = very much) of the firm's familiarity with the foreign country, and its operational know-how in that country before international entry.

Third, we incorporated the *age* and *international experience of decision-makers* for their partial reflection of the information processing capacity of decision-makers in international decision-making (Herrmann and Datta, 2006). In line with Ralston et al. (1999), we used a categorical variable to measure the age of the decision-maker. Respondents were asked to select their age range: "1" if managers were 40 or younger, "2" if they were between 41 and 51, and "3" if they were 52 or older. The international experience of the decision-maker was scaled by the sum of years for work in international department, and overseas assignments and study. Finally, four dummy variables were employed to measure *main motives* for Chinese firms to enter foreign markets (Lu et al., 2000) covering market-seeking, strategic asset-seeking, nature resource-seeking, and competitor/customer-following, and other motives.

All Cronbach's alphas greater than 0.7 suggest the satisfactory reliability levels of the multi-item scales (Nunnally, 1978). Convergent and discriminant validities of collectivistic orientation, two DMP dimensions and other multi-item constructs were assessed via a confirmatory factor analysis (CFA) (Anderson and Gerbing, 1988). The fit indices suggested a reasonably good fit ($\chi^2/df = 1.58$; goodness of fit index = 0.90; comparative fit index = 0.95; root mean square error of approximation = 0.06;

normed fit index = 0.90) between the overall measurement model and the data. The satisfactory convergent validity of the constructs in the model was reached as the loadings of all items were significant in their respective latent constructs, with the lowest t-value being 7.02. Discriminant validity also was safeguarded as all the confidence intervals (\pm two standard errors) around the correlation estimate (*phi* value) between the pairwise constructs did not include 1 (Anderson and Gerbing, 1988).

Common method variance

Four tactics were employed to constrain and detect the potential effects of common method variance (Podsakoff et al., 2003; Podsakoff and Organ, 1986). First, in addition to a reversal of some item anchors, we deliberately posited the dependent variable, moderators, and independent variable into different sections of the questionnaire to create a psychological isolation between them (Podsakoff et al., 2003). Second, a sophisticated model specification that includes multiple moderating effects sets a cognitive difficulty for respondents to trace the focal associations in this study. Third, we used the Harman's one-factor test to assess the common method variance, from which eight factors were extracted from all the variables in the model and the largest factor accounted for only 13.9 percent of the total variance. Fourth, we additionally employed a CFA approach recommended by Podsakoff et al. (2003, p. 894), which incorporated a single first-order unmeasured latent method factor into the measurement model. The newly added common method factor did not lead to a

substantial improvement to the measurement model, which generated a variance of 0.06, fairly below the 0.50 threshold level (Zhang et al., 2015). Collectively the results indicated that common method variance did not posit a threat to this study.

Results

We employed moderated regressions to analyse data and test the hypotheses. As this study aimed to examine the moderating effects of DMP dimensions, all variables except categorical ones had been standardised before the computation of product terms and the execution of analyses. This treatment also constrains the occurrence of collinearity between variables and their interaction terms (Aiken and West, 1991).

Findings

Table 1 presents the means, standard deviations and Pearson correlations for the entire sample ($n = 208$). Consistent with prior evidence (e.g. Jaw et al, 2007), the average level of collectivistic orientation ($mean = 4.71$) indicates that Chinese SME decision-makers are overall moderately collectivistic. 70.2 percent of them were under 41 years of age. The average number of employees is 128, which suggests the investigated firms are generally small. In the correlation matrix, despite few strong correlations between variables, no coefficient is higher than 0.55. The values of variance inflation factors being fairly below the threshold level of 3 additionally suggest no substantial collinearity among the variables in the model (Neter et al., 1996).

Table 1 here

Table 2 displayed four models that were employed to test the hypotheses. Model 1 assessed the effects of control variables on the employment of local linkages. The sequential additions of the independent variable (collectivistic orientation) and moderators (DMP dimensions) into the base model (Model 1) formulate Model 2 and 3. The moderating effects of the DMP dimensions were tested in Model 4. All four models demonstrate their overall robustness as their F-statistics are highly significant. The changes of R squares from Model 1 to 2 ($p < 0.05$) and from Model 3 to 4 ($p < 0.001$) led to significant improvements to the explanatory powers of the respective former models, which suggest substantial increases in the variances explained after introducing collectivistic orientation and its interactions with DMP dimensions into the equations respectively. It is noteworthy that the inclusion of the moderators, two DMP dimensions, in Model 3 did not lead to a significant change of R^2 .

In terms of the effect of the independent variable, Model 2 indicates that collectivistic orientation is significantly ($p < 0.05$) and positively related to the employment of local linkages, thus supporting Hypothesis 1. With regard to the interaction between collectivistic orientation and procedural rationality, it is positively and significantly ($p < 0.05$) associated with the employment of local linkages in Models 4; in terms of the interaction between collectivistic orientation and problem-solving dissension, it is negatively and highly significantly ($p < 0.001$) related to the dependent variable.

Table 2 here

In order to interpret the interactions with significant effects, we performed simple slope testing (Aiken and West, 1991) to assess the association strengths between collectivistic orientation and the employment of local linkages under high and low levels of the moderators. The interactions were plotted in Figure 2 and 3. There is a slightly negative but insignificant relationship ($Gradient = -0.06$) between collectivistic orientation and the employment of local linkages for low levels of procedural rationality, and a positive and highly significant one ($Gradient = 0.26, p < 0.001$) for high levels of procedural rationality, which provide partial support to Hypothesis 2. In addition, the collectivistic orientation-local linkages association is positive and significant ($Gradient = 0.33, p < 0.001$) for low levels of problem-solving dissension, and negative and significant ($Gradient = -0.12, p < 0.001$) for high levels of problem-solving dissension, which lend full support to Hypothesis 4.

Figure 2 and 3 here

Discussion

Our first finding suggests that managerial collectivistic values promote the employment of local linkages for SMEs' international entries. The evidence confirms that the differences in managerial preferential attitude to social connectedness do affect SMEs' utilisation of external networks in the host country, which therefore attests the key premise of strategic choice (Hambrick and Mason, 1984; Levy, 2005). Besides well documented environmental and firm experiential explanatories (e.g. Chetty and Stangl, 2010; Johanson and Vahlne, 2009), managerial inherent

preferences that play a pivot role in the interpretation system of SMEs (Aharoni et al., 2011; Sarasvathy et al., 2014) constitute an important antecedent to SMEs' employment of external networks for international entries. Also, it substantially corroborates nation-level findings that firms in societies highest in individualism utilise their networks least for information-seeking (e.g. Narooz and Child, 2017; Zaheer and Zaheer, 1997).

The identified moderating effects of two DMP dimensions represent our second and third findings, which overall suggest that the baseline association (collectivistic orientation-local linkages association) is contingent upon different DMPs employed by SMEs for international entries. The evidence confirms the intertwining nature of managerial preference and information processing activities captured by DMPs in relation to firm entry behaviours (Child, 1972; Hambrick and Mason, 1984; Levy, 2005). Specifically, our second finding shows that the baseline association becomes stronger when the DMPs for international entries are characterised with intensive information collection and analyses. Although recent research (e.g. Ahi et al., 2017) starts exploring the organisational outcomes (e.g. entry speed and performance) of procedural rationality, this study seems to be the first one to empirically assess its influence on entry activities associated with external networks. Our last finding indicates that Chinese collectivist decision-makers are sensitive to cognitive conflicts when utilising their preferred network approach for international entries. High-levels of problem-solving dissension in DMPs deter collectivist decision-makers from using external networks, while low-levels of dissension encourage them to employ local

linkages for international entries. The evidence is in line with the argument (Friedman et al., 2006; Olsten et al., 2007) that collectivistic managers frown on disagreements occurred in decision-making and prioritise harmonious relationship over individual preferences.

Among control variables, environment munificence and local experience are consistently and significantly related to the employment of local linkages across all the models. The significance of environmental munificence is in line with the argument that the easiness of survival in host country decrease the perceived necessity of networking by SMEs to cope with environmental threats (Lee et al., 1999). Local experience in the host country facilitates Chinese SMEs to identify and interpret foreign market information and interact with appropriate partners, which plays a critical role when latecomer firms enter the foreign market (Shi et al., 2001).

Conclusions

Implications

In relation to implications for literature, this study has primarily contributed to two streams of research. First, this study substantially advances the SME internationalisation literature by incorporating the perspective of international decision-making (Aharoni et al., 2011; Child and Hsieh 2014) into interpreting the antecedents of employing external networks for SMEs' international entries. By an inclusion of both managerial value and DMPs, our new evidence confirms the effectiveness of this perspective and suggests that the utilisation of external networks

in internationalisation cannot be completely understood by a sole analysis of environmental and firm-specific conditions (e.g. Chetty and Stangl, 2010; Johanson and Vahlne, 2009) as managerial values and organisational processes also matter. Thus, it considerably extends the literature of external networks in SME internationalisation (Prashantham et al., 2018; Tang, 2011). Also, this study signifies DMPs as a boundary condition for the effect of managerial value, which enriches the studies primarily grounded on environmental contingent factors in SME internationalisation (Thanos et al., 2017). Consequently, it further clarifies the role of DMPs in SME internationalisation as the dearth of this stream of research is “...more accentuated in the context of small and medium-sized enterprises...” (Ahi et al., 2017, p. 2). Second, this study also contributes to the research grounded on the perspective of strategic choice in managerial decision-making (Child, 1972; Hambrick and Mason, 1984). Unlike most of this stream of research using managerial demographics as a proxy (Carpenter et al., 2004; Herrmann and Datta, 2006), this study employed a well-developed construct of managerial value, collectivistic orientation, which avoids the inevitable “noises” using managerial demographics. Also, it is also seemingly to be among pioneering studies to simultaneously explore managerial value and DMPs and their interactions into SMEs’ entry behaviours.

In relation to implications for management, it is suggested that SME managers should be aware that there is a basic distinction between individuals in terms of the conceptualisation of self (independence vs. interdependence) (Singelis, 1994). It would be beneficial to conduct self-reflections and critical evaluation to identify the

divergency between personal preference and objective requirements of real situation when performing entry activities. Besides, as DMPs become increasingly important when making critical decisions, Chinese SME decision-makers are recommended to manage both cognitive and affective aspects (e.g. conflicts) in decision-making for international entries (Olson et al., 2007, Tjosvold et al., 2001). In relation to implications for research context, as most of SME internationalisation studies are based on firms from individualistic societies (Liu et al., 2008), the research of Chinese SMEs has a significantly contextual implications in terms of managerial preference as well as DMPs (Chen et al., 2005; Elbanna and Child, 2007).

Limitations and future research directions

Like all research, this study is subject to limitations, which could provide a useful guide for future research. First, this study has only examined the influence of one of best developed managerial values, collectivistic (vs. individualistic) orientation (Oyserman et al., 2002), on the employment of local linkages for international entries. Nevertheless, other managerial values such as risk or ambiguity tolerance could also be further explored (Acedo and Jones, 2007) as it is widely acknowledged that external networks constitute an effective solution to constrain risks associated with internationalisation (e.g. Prashantham et al., 2018). Second, the current research targeted the principal decision-maker related to international entry rather than the whole decision team. The usage of the single key informant can be justified as it follows the DMP research convention (e.g. Thanos et al., 2017) and takes practical

difficulties into account. However, an incorporation of other members for entry decision-making could provide a more complete insight. Third, to further generalise the results, an interesting research extension is to examine the focal associations among managers from highly individualistic context, e.g. USA or UK.

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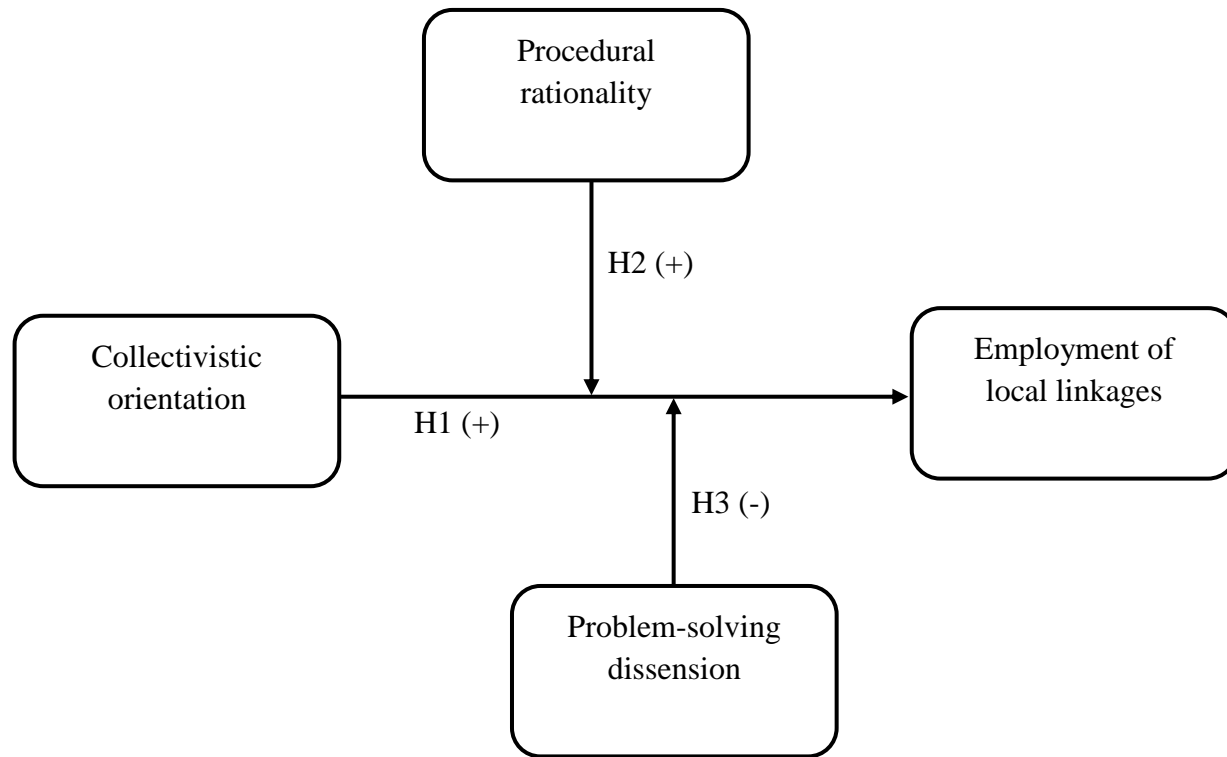


Figure 1. Research model of this Study

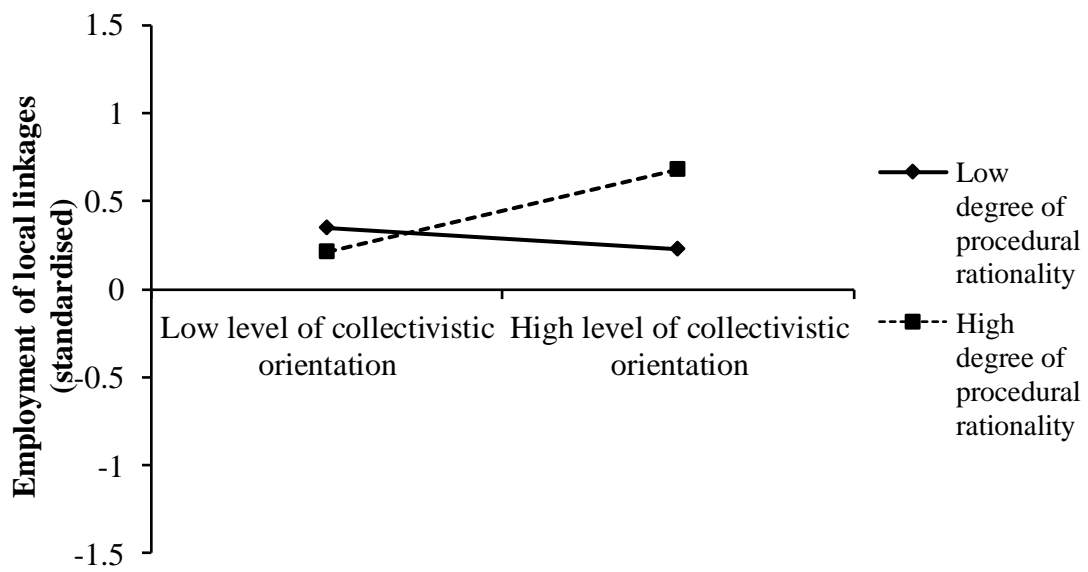


Figure 2. Plot of interaction: procedural rationality and collectivistic orientation

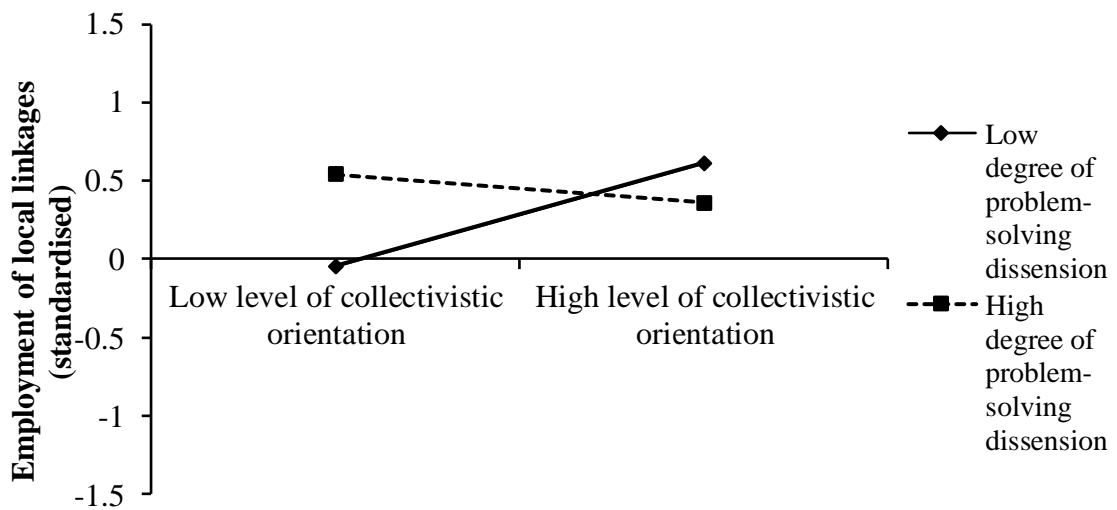


Figure 3. Plot of interaction: problem-solving dissension and collectivistic orientation

Table 1. Descriptive statistics, correlations and collinearity statistics

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	Collinearity Statistics		
	Mean	18.67	3.58	4.00	4.60	4.38	2.33	2.60	4.61	0.34	0.16	0.14	0.55	0.19	0.02	0.08	2.65	1.98	4.71	4.94	4.45	Tolerance	VIF ^a
Standard Deviation	3.36	1.06	1.35	0.87	1.06	0.88	3.09	1.20	0.48	0.37	0.35	0.50	0.40	0.14	0.27	0.58	2.92	1.03	0.99	1.11			
1. Employment of local linkages																							
2. Munificence	-0.33**																					0.68	1.46
3. Stability	-0.05	0.38**																				0.69	1.45
4. Psychic distance	0.27**	-0.23**	-0.27**																			0.79	1.27
5. Firm size	-0.05	0.09	0.05	0.02																		0.71	1.40
6. Firm revenue	3.00E-03	-0.07	-0.17*	0.04	0.40**																	0.72	1.39
7. Firm international experience	0.07	-0.19**	-0.04	0.04	0.06	0.10																0.88	1.13
8. Local experience	0.50**	-0.34**	-0.12	0.23**	0.15*	0.17*	0.12															0.71	1.41
9. Electronics	-0.10	0.03	-0.11	-0.07	-0.08	-0.01	-0.07	-0.02														0.69	1.45
10. Chemicals	-0.06	0.01	0.04	0.01	0.08	0.12	0.12	-0.11	-0.32**													0.76	1.32
11. Textiles	0.07	-0.04	0.03	0.02	-0.08	-0.06	-0.03	2.00E-03	-0.30**	-0.18**												0.79	1.27
12. Market-seeking motive	0.10	-0.08	2.00E-03	2.00E-03	1.25E-04	-0.04	0.07	2.00E-03	-0.15*	-0.02	0.15*											0.46	2.18
13. Asset-seeking motive	-0.04	0.01	-0.01	0.09	0.17*	0.17*	-0.04	0.05	0.04	0.05	-0.10	-0.54**										0.52	1.91
14. Natural Resource-seeking motive	-0.13	0.03	-0.03	-0.07	-0.01	-0.01	-0.04	-0.13	0.12	-0.06	0.04	-0.16*	-0.07									0.87	1.15
15. Following competitors/customers	0.07	-0.07	0.07	0.02	-0.24**	-0.19**	-0.05	0.03	-0.09	0.02	-0.02	-0.32**	-0.14*	-0.04								0.58	1.72
16. Age of decision-maker	-0.16*	0.07	0.11	-0.21**	0.05	-0.09	-0.01	-0.21**	0.05	-0.02	0.04	0.02	-0.04	0.02	-0.11							0.74	1.35
17. Intel. experience of decision-maker	0.02	-0.05	-0.01	0.03	0.06	0.12	0.11	0.08	0.02	0.01	0.03	0.02	-0.03	-0.08	0.16*	-0.39**						0.75	1.33
18. Collectivistic orientation	0.17*	-0.01	0.21**	0.13	0.07	0.09	-0.04	0.04	-0.07	-0.03	0.04	-0.01	-0.02	-0.04	0.15*	-0.01	-0.03					0.77	1.30
19. Procedural rationality	0.29**	-0.12	0.04	0.14	0.18**	0.12	-0.04	0.29**	-0.01	0.03	-0.01	0.01	-0.01	-0.11	4.00E-03	-0.10	0.06	0.32**				0.63	1.60
20. Problem-solving dissension	0.29**	-0.26**	-0.22**	0.26**	0.06	0.18**	-0.07	0.31**	0.07	-0.11	-0.01	0.07	-0.05	-0.06	-0.10	-0.20**	0.15*	0.09	0.47**			0.59	1.68

n = 208; ^a: variance inflation factor; * *p* < .05 (two-tailed), ** *p* < .01 (two-tailed).

Table 2. Moderated regression results for employment of local linkages

Variables:	Model 1	Model 2	Model 3	Model 4
<i>Explanatory variable</i>				
Collectivistic orientation (H1)		0.13* (2.00)	0.14* (2.07)	0.12* (1.97)
<i>Moderators</i>				
Procedural rationality			0.10 (1.29)	0.08 (1.08)
Problem-solving dissension			0.07 (0.94)	0.08 (1.15)
<i>Interactions</i>				
Collectivistic orientation × Procedural rationality (H2)				0.15* (2.37)
Collectivistic orientation × Problem-solving dissension (H3)				-0.21*** (-3.55)
<i>Controls variables</i>				
Munificence	-0.18* (-2.53)	-0.17* (-2.40)	-0.14* (-2.03)	-0.16* (-2.34)
Stability	0.10 (-1.47)	0.06 (-0.88)	0.07 (0.32)	0.09 (-1.34)
Psychic distance	0.15* (2.28)	0.13+ (1.88)	0.11+ (1.70)	0.09 (1.34)
Firm size	-0.11 (-1.30)	-0.12 (-1.42)	-0.14 (-1.59)	-0.11 (-1.25)
Firm revenue	-0.02 (-0.29)	-0.05 (-0.60)	-0.06 (-0.71)	-0.04 (-0.59)
Firm international experience	-0.01 (-0.13)	3.00E-03 (-0.04)	0.02 (0.26)	0.03 (0.49)
Local experience	0.41*** (6.24)	0.42*** (6.36)	0.38*** (5.61)	0.40*** (6.07)
<i>Sector</i>				
- Electronics	-0.12 (-0.82)	-0.12 (-0.82)	-0.13 (-0.88)	-0.19 (-1.33)
- Chemicals	-0.07 (-0.36)	-0.04 (-0.23)	-0.05 (-0.30)	-0.04 (-0.23)
- Textiles	0.05 (0.29)	0.05 (0.25)	0.04 (0.22)	0.04 (0.23)
<i>Motive for the entry</i>				
-Market seeking	0.11 (0.65)	0.10 (0.59)	0.13 (0.75)	0.11 (0.68)
-Asset seeking	-0.07 (-0.34)	-0.06 (-0.32)	-0.01 (-0.04)	3.00E-03 (0.02)
-Natural resource seeking	-0.35 (-0.77)	-0.34 (-0.74)	-0.23 (-0.52)	-0.51 (-1.15)
-Compet/ cust following	0.07 (0.26)	0.02 (0.06)	0.08 (0.30)	-0.20 (-0.70)
Age of decision-maker	-0.08 (-0.64)	-0.07 (-0.61)	-0.06 (-0.48)	-0.11 (-0.93)
Intel. experience of decision-maker	-0.04 (-0.54)	-0.03 (-0.37)	-0.04 (-0.57)	-0.01 (-0.13)
R ²	0.34	0.35	0.37	0.43
Adjusted R ²	0.28	0.29	0.30	0.35
ΔR ²		0.01*	0.02	0.06***
F-statistic	6.08***	6.05***	5.51***	5.94***

Dependent variable: *Employment of Local linkages*, $n=208$, *** $p < .001$; ** $p < .01$; * $p < .05$; + $p < .10$ (two-tailed)

Notes: All regression models are based on standardized z -scores of all variables (apart from the dichotomous or categorical variables); the entries are unstandardized β s with t -values in brackets.