

To Internationalise Entrepreneurially from Low-Tech Emerging Market: The Role of International Entrepreneurial Capability and Orientation in Early Internationalising Firms from Bangladesh

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Empirical International Entrepreneurship: A Handbook of Methods, Approaches and Applications

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To Internationalize Entrepreneurially from Low-Tech Emerging Market: The Role of International Entrepreneurial Capability and Orientation in Early Internationalizing Firms from Bangladesh

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Abstract

Export entry of small firms has been recognized as an entrepreneurial act in entrepreneurship literature. Thus, developing a holistic understanding on what it means for small firms to internationalize entrepreneurially across different contexts is essential. However, the literature on capabilities in international entrepreneurship has tended to remain either conceptual or qualitative, and scholars have called for studies on capabilities of emerging market firms specifically.

This chapter responds to these methodological and contextual gaps in literature, by conducting a quantitative study on the capabilities of early internationalizing firms from Bangladesh. We examine how international entrepreneurial capability and international entrepreneurial orientation impact internationalization of early internationalizing firms in a developing country low-tech industry context. With an empirical sample of 647 firms from Bangladesh, we find 1) positive relationship between international entrepreneurial capability of entrepreneurs and international EO of the firm; 2) positive relationship between international entrepreneurial capability of entrepreneurs and both financial and non-financial performance, 3) positive relationship with international entrepreneurial orientation with both types of performance, and; 4) partial mediation effect by international entrepreneurial orientation in the international entrepreneurial capability – performance relationship.

Consequently, this study posits that entrepreneurial internationalization involves the adoption and application of both entrepreneurial capability and orientation simultaneously. In this way, the study adds to the scientific knowledge on what it means to internationalize entrepreneurially and emphasizes the important role that quantitative research methods have in IE in general, as well as for developing markets and low-tech industries in particular.

Keywords: Entrepreneurial capability, Entrepreneurial orientation, International performance, International new ventures, Emerging economy, Low-tech enterprises

To Internationalize Entrepreneurially from Low-Tech Emerging Market: The Role of International Entrepreneurial Capability and Orientation in Early Internationalizing Firms from Bangladesh

Introduction

The Export entry of small firms has been recognized as an entrepreneurial act in entrepreneurship literature (Ibeh, 2003). Johanson and Vahlne (2009), the advocates of internationalization stage theory, acknowledge that 'internationalization has much in common with entrepreneurship' (p. 1423). Thus, developing a holistic understanding on what it means for small firms to internationalize entrepreneurially across different contexts is essential.

Since the 1990s, globalization and technological advances such as the Internet have allowed small firms new access to customers, suppliers and other business partners and stakeholders across the world (Dana et al., 1999), and since firms of all sizes are increasingly competing at an international and global arena (Dana, 2001), it remains important to shed light on the factors that enable successful entrepreneurial internationalization. The main focus of studies related to these phenomena in the international entrepreneurship (IE) literature is that of early internationalizing firms such as international new ventures (INVs; see Oviatt & McDougall, 1994) or born globals (Knight and Cavusgil, 2004; Weerawardena et al., 2007).

As opposed to traditional internationalizing firms, these firms follow an early internationalization path from inception or soon thereafter. Since the 1990s, early internationalizing firms have been the main research focus in IE literature (e.g., Jones et al., 2011), and their increasing prevalence and importance in international business indicate a need for greater understanding of these ventures (Oviatt and McDougall, 2004). Research has called for more elaboration on distinctiveness of early internationalizing firms and how they develop distinct capabilities (Dana and Wright, 2009). However, the literature on capabilities in international entrepreneurship has tended to be remain either conceptual (e.g., Al-Aali & Teece, 2014) or qualitative (Mort & Weerawardena, 2006; Autio et al., 2011; Glavas & Mathews, 2014). Literature reviews on the international entrepreneurship domain have also often found the field to be permeated by primarily qualitative methods (e.g., Jones et al., 2011; Peiris et al., 2012). However, the few quantitative studies linking capabilities to performance, profitability and other types of successful internationalization have tended to find significant

relationships between the two (e.g., Torkkeli, 2014; Pinho & Prange, 2016). These results indicate that quantitative assessment of the dynamic capabilities leading to successful entrepreneurial internationalization is both necessary and underresearched. Moreover, these few quantitative studies have been conducted mostly in a relatively narrow empirical context of high-technology ventures originating from developed economies; indeed, most empirical research in IE is skewed towards the high-tech industries in the developed world and therefore knowledge surrounding early internationalizing firms in traditional industries from emerging economies has been lacking (Rialp et al., 2005; Kiss et al., 2012). This has been an issue since a multitude of phenomena related to international business and entrepreneurship in emerging market, for instance environmental institutions (Sadeghi et al., 2019), can be distinct to those in developed economies. A recent review of studies related to internationalization of small- and medium-enterprises in general (Dabić et al., 2019) came to a similar conclusion, highlighting the lack of studies on capabilities of emerging market firms as a gap in internationalization research. Thus, research conducted in the latter context may not be applicable to the emerging market context.

Taken together, it seems logical that the field of international entrepreneurship would benefit increasingly from quantitative methodology in explaining the relevant capability-performance relationships, and from doing so also in low-technology and developing markets contexts. This chapter aims to respond to these methodological and contextual gaps in literature, by conducting a quantitative study on the capabilities of early internationalizing firms from Bangladesh. While recognizing that to become successful in international business, these firms rely more heavily on entrepreneurial capabilities and skills, which reduce their resource constraints and liability of newness and foreignness (cf. Zaheer, 1995). Studies of early internationalizing firms confirmed that such firms possess a strong entrepreneurial orientation (EO) (Freeman et al., 2006). Rasmussen and Madsen (2002) maintain that IE as a new field of academic enquiry supplements the huge stream of internationalization research by explicitly focusing on the role of the entrepreneur. However, IE researchers are predominantly obsessed with few capabilities of international entrepreneurs (e.g., prior international business experience). This parochial view of capabilities has limited our understanding of the topic. The relationship between entrepreneurial capability and entrepreneurial orientation (EO), more specifically how entrepreneur-level entrepreneurial capability drives firm-level EO and performance outcomes in early internationalizing firms, has not been investigated in IE, and a

study illustrating their joint dynamics can thus help in further theoretical development of the IE research domain.

Despite entrepreneurial capability being recognized as the most influential determinant in early internationalization, empirical research examining this in terms of breadth of capabilities and number of studies has been lacking. We note in this study that prior experience constitutes only a subset of broader entrepreneurial ‘capability set’, and we argue that this narrow and parochial view of entrepreneurial capability has until fallen short of reporting a valid association between international entrepreneurial capability and early internationalization. More specifically, in this chapter we examine international entrepreneurial capability and the type of EO that influence internationalization of early internationalizing firms in a developing country low-tech industry context. Consequently, this study posits that entrepreneurial internationalization involves the adoption and application of both entrepreneurial capability and orientation simultaneously. In this way, the study adds to the scientific knowledge on what it means to internationalize entrepreneurially, and in part helps in confirming the assertion by Johanson and Vahlne (2009) that internationalization and entrepreneurship are indeed tightly intertwined. Simultaneously, it emphasizes the important role that quantitative research methods have in IE in general, as well as for developing markets and low-tech industries in particular.

Theoretical Framework and Hypotheses

The conceptual model guiding our study is presented in Figure 1. The model draws on the capability perspective (Sen, 1985; Anand and Hees, 2006; Gries and Naude, 2011), and strategy-making process literature (Miller, 1983). The model positions international entrepreneurial capability as a crucial component for driving international EO, which in turn enhances international performance of early internationalizing firms. It also supposes an indirect relationship between international entrepreneurial capability and performance.

Capability approach and international entrepreneurial capability: Capability approach pioneered by Sen (1985) has been a hot topic in welfare economics. Capabilities refer to a person’s ‘ability to achieve a given functioning’. The set of all possible vectors of capabilities that a person can achieve is called the ‘capability set’ of the person (Anand and Hees, 2006). From an entrepreneurship viewpoint, ‘capability set’ might include all possible

capabilities that an entrepreneur can develop or achieve. Capability approach can provide useful insights into IE research with regard to entrepreneurial capabilities.

Entrepreneurial capabilities refer to the abilities to identify and acquire the necessary resources to act upon opportunities identified in the market, or to create new market opportunities (Karra et al., 2008). Zhang et al. (2009) identified five different sets of capabilities which might constitute international entrepreneurial capability. They are international experience, international marketing, learning, networking, and innovative and risk-taking capability. Drawing from human capital theory, Faroque et al. (2020a) grouped entrepreneurial capabilities in two broad categories: general and international. General entrepreneurial capabilities include prior entrepreneurial, managerial, and technical experience, whereas international entrepreneurial capabilities consist of entrepreneur's international business experience, networking, entrepreneurial orientation, and global vision. Research on the operationalization of entrepreneurial capabilities rests on a parochial view of capabilities i.e., entrepreneur's prior experience, ignoring other human and social capital (Faroque et al. 2020a). Therefore, further investigation combining all these capabilities is needed to recognize and understand the roles and characteristics of entrepreneurs in early internationalization more elaborately (Mort and Weerawardena, 2006) and the ways in which they influence early internationalizing firms' international behavior.

International Entrepreneurial Orientation: Entrepreneurial orientation (EO) is a combination of three dimensions: innovativeness, proactiveness, and risk-taking (Covin and Slevin, 1986; Wiklund and Shepherd, 2003). This same concept has been adopted in IE with special reference to international business setting and known as international EO. In an internationalization context, innovativeness refers to a firm's capacity to generate new ideas, products, and services for foreign markets and its fortitude to develop creative solutions to challenges it faces (Knight, 2001). Proactiveness reflects a firm's proclivity to take initiatives, anticipate and pursue new opportunities, and participate in foreign markets (Miller, 1983). Risk taking refers to the proclivity of a firm to undertake risky ventures in foreign markets (Dimitratos and Plakoyiannaki, 2003).

On the basis of an extensive literature review and interviews with three general managers and IE academics, Zhang et al. (2009) conceptualize international entrepreneurial capability as the firm-level ability to leverage resources through a combination of innovative,

proactive, and risk-seeking activities to explore and exploit international business opportunities. This conceptualization of international entrepreneurial capability parallels that of EO. EO also represents firm level behavioral orientation involving innovative, proactive, and risk-seeking activities. Two different constructs representing the same attributes might confuse IE researchers. Rather we believe international entrepreneurial capability relates to entrepreneur and this is in line with Karra et al. (2008) who position it as entrepreneur-level capability. According to Karra et al. (2008), entrepreneurial capabilities stem from experience in international markets, international network connections and from the ability of opportunity exploration.

[Insert Figure 1 about here]

International Entrepreneurial Capability, EO and Early Internationalizing Firm Performance: In the present study, we posit four main hypotheses for linking entrepreneurial capabilities, IEO and international performance of early internationalizing firms. First, most research relating to EO in entrepreneurship and IE is concerned with a direct relationship between EO and performance. The theoretical discussion and empirical evidence on antecedents of EO is not comprehensive in both fields. According to Lumpkin and Dess (1996), while all the dimensions of EO may be present when a firm engages in new entry, it is not the necessary pre-condition of such entry. Rather, successful new entry may be realized with some of these factors being operational. They further posit that some external factors, such as the industry or business environment, or internal factors, such as the characteristics of founders or top managers may also influence the extent to which each of these dimensions of EO is useful for predicting the nature and success of a new entry. This argument implies that capabilities of entrepreneurs might determine the EO of the firm, even in an international context. We can extend this argument to early internationalizing firm creation and success. International entrepreneurial capabilities such as innovative, proactive and risk-taking behavior of entrepreneurs must have bearing on the similar behavior and attitudes of top managers in these firms. In addition, entrepreneur's prior international experience and networking capability might positively impact Early internationalizing firm's EO. Early internationalizing firms due to their earliness lack substantial financial and human resources (Knight, Madsen, and Servais, 2004), and tend to rely heavily on the entrepreneur and his resource endowments to proactively locate opportunities in international markets and exploit them. Therefore, we have hypothesized that:

Hypothesis 1: There is a positive association between international entrepreneurial capability of entrepreneur and IEO of early internationalizing firms.

Second, the background and characteristics of the entrepreneur may have a great influence on the speed of learning, internationalization (Madsen and Servais, 1997; Oviatt and McDougall, 1997) and development of such early internationalizing firms. Early internationalization approach virtually requires entrepreneurs to develop distinctive entrepreneurial capabilities and prudence, in their past career, to recognize opportunity in international markets (Knight and Cavusgil, 1996; Madsen and Servais, 1997; McDougall et al., 1994).

McDougall et al. (2003) argued that entrepreneur's international experience plays an important role in internationalization of early internationalizing firms. Many founders and managers of early internationalizing firms have gained international experience and competence during previous work experiences (Madsen and Servais, 1997; Oviatt and McDougall, 1997; Reuber and Fischer, 2002; Sharma and Blomstermo, 2003) which help the firm to enter foreign markets successfully (Jones, 2001; Reuber and Fischer, 1997).

According to Gabrielsson et al. (2008), resource commitment (in other words, risk taking) is necessary and sufficient condition for firms' early internationalization and success. Based on case studies of eight early internationalizing firms in Greece, Norway, Finland and Italy, they propose that sustainable early internationalizing firms have an effective commitment to enter and penetrate international markets rapidly. This indicates a direct relationship of risk-taking attitude of entrepreneurs with early internationalizing firms' international growth and performance.

Andersson (2000) found that an international proactive entrepreneur was the most important factor explaining why early internationalizing firms expanded internationally. Furthermore, these firms require entrepreneurs and top managers to meet with their overseas customers. It is the individuals, not the organizational routines, that play the most significant role in decision-making in these firms (Oviatt and McDougall, 1997). This emphasizes the entrepreneurial capability of the entrepreneur of early internationalizing firm in market entry and success. Based on the discussion above, we have hypothesized that:

Hypothesis 2: There is a positive association between international entrepreneurial capability and performance of early internationalizing firms.

Third, early internationalizing firms are found to be characterized by an organizational culture that is proactive, risk-taking, and innovative (Freeman et al., 2006). More than five decades ago, Schumpeter (1942, p. 194) stated that “the opening of a new market” is an innovation, which positions internationalization as an innovative entrepreneurial activity (Andersson, 2000; Casson, 2005; Knight and Cavusgil, 2004). A firm with innovative capabilities and culture possesses a superior ability both to recognize and exploit opportunities in foreign markets (Jantunen et al., 2005). This indicates that innovativeness is central to international performance (Frishammar and Andersson, 2010).

The second component of IEO is proactiveness which implies increased speed of international development, a criterion necessary for success (Frishammar and Andersson, 2010). Internationalization process and export marketing literatures frequently refer to proactiveness with regard to international strategies. The early internationalization perspective also underlines the significance of proactive and opportunity-seeking attitude. Proactiveness is an important factor explaining why some firms are international from inception and how they achieve superior international performance (Andersson and Wictor, 2003;). Pla-Barber and Escribá-Esteve (2006) claimed that a proactive attitude of managers regarding internationalization activities facilitates the rapidness of internationalization process.

The third component of IEO is risk taking which occurs along a continuum ranging from relatively low risks (e.g., exporting) to very high risks (e.g., joint venture or foreign direct investment). Early internationalizing firms, considering their resource constraints, often use direct export or sales through representatives. Luo and Tung (2007) argue that firms from emerging markets, as latecomers in the global market, need to hug more aggressive and risk-taking measures in order to combat their competitive weaknesses.

Though much research has been done on the EO - international performance relationship (Jantunen et al. 2005; Dimitratos et al. 2004; Zahra and Garvis, 2000; Ibeh, 2003, McAuley, 1999; and Robertson and Chetty, 2000), few studies have been conducted on the IEO - international performance relationship in IE. Acosta et al. (2018) and Swoboda and

Olejnik (2016) found that international performance of SMEs is influenced by IEO. In another study on Romanian small and medium firms, Emoke–Sződónia (2015) found a significant positive impact of IEO on international performance of these firms. Based on a study on Turkish manufacturing firms, Kaya and Ağca (2009) found that though all of the three dimensions of IEO affect international performance, the effect of risk taking is not significant. Again Hernández-Perlines (2016) found positive relationship between EO and international performance of family owned business. In summary, we can assert that three dimensions of IEO positively influence performance of early internationalizing firms. Therefore, we have hypothesized that:

Hypothesis 3: There is a positive association between international EO and performance of early internationalizing firms.

Finally, we posit that international EO can act as a mediator. The independent study of the relationship between international entrepreneurial capability and performance (Zhang et al. 2009, 2017; Karra et al. 2008) largely ignores the very important concept of IE: international EO. However, to date, the vast majority of the studies assume a direct effect of entrepreneurial capabilities or EO on performance. No research in entrepreneurship and IE investigated the mediating mechanisms of IEO that link international entrepreneurial capabilities and performance in early internationalizing firms. Relationship between international entrepreneurial capability and performance is context-specific, which indicates moderating and/or mediating effects on performance. Simply examining the direct entrepreneurial capability-performance relationship provides an incomplete picture of the phenomenon. International entrepreneurial capability could elicit more performance outcome if the firm possess greater degree of risk-taking propensity, proactiveness, and innovativeness; the three core dimensions of IEO. Therefore, our next hypothesis that will be tested in this study is:

Hypothesis 4: The positive relationship between international entrepreneurial capabilities and performance is partially mediated by international EO of early internationalizing firms.

Research Methodology

Our investigation rides on early internationalizing firms in the apparel export industry of a South Asian developing country Bangladesh. Bangladesh, the world's 44th largest economy (IMF, 2012), is one of the Next 11 (N-11) countries identified by Goldman Sachs, which combined with its 150 million populations, economic, and political conditions could greatly impact the global economy. It has become an export powerhouse, second only to China in global apparel exports (Yardley, 2012). Cheap labor and capacity have helped Bangladesh become a hot spot for global apparel brands seeking the cheapest labor, especially in the face of rising wages in China. Bangladesh, once Kissinger's 'basket case' and irrelevant to the global economy, is now seen as the "next China". McKinsey and Co (2011), a global management consulting firm, has predicted that Bangladeshi apparel exports, now about \$18 billion a year, could triple by 2020. The industry has emerged as very critical to the country's economy, accounting for 80 percent of national exports, 13 percent of gross national product and more than three million jobs. It has given birth to about 5,000 early internationalizing firms in the industry. To be eligible for government export promotion schemes companies are required to be early internationalizing firms by law and are not allowed to sell their produce in domestic markets.

The phenomenal growth of apparel exports from Bangladesh has generally been attributed to favorable external conditions by researchers, most notably due to the Multi-Fibre Arrangement (MFA) - the bilateral quota system imposed by developed countries - supportive government policy, and low wages in the country (Rashid, 2006). However, the role of apparel entrepreneurs and their entrepreneurial capabilities in the dynamic growth of this industry have always been overlooked. Thus, the industry offers a very lucrative setting of research to investigate the role of entrepreneurial capability and orientation in early internationalizing firm's performance in the industry.

Survey Design and Data Source

Mail survey has recently become the sexiest data collection method for its cost effectiveness and ease of implementation. Considering the low response rate in a developing country like Bangladesh, we decided to conduct face-to-face survey using structured questionnaire. A sample of 800 exporters was randomly generated from two existing members' directories in the industry: Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA). We

collected 718 questionnaires filled-up, a response rate of about 90%. After going through a rigorous normality test in SPSS 24, we finally got 647 usable cases.

The structured questionnaire used for the survey was developed through a comprehensive literature review and was written originally in English and translated into Bengali. Four academic experts familiar with the topic assessed the content validity of the items. The questionnaire was then pretested with 15 managers. Subsequently, we revised the questionnaire based on their feedback. We then back translated the questionnaire into English and checked for consistency with the original version to prove 'translation equivalence' (Van de Vijver and Leung, 1997).

We have taken several steps to minimize common method bias, including the protection of respondent and firm; reducing item ambiguity by pre-testing the survey on entrepreneurs; ensuring items relating to the dependent variables were not located close to the independent variables on the questionnaire. The Harman's one-factor test (Podsakoff et al., 2003) was conducted. All the statements relating to the endogenous and exogenous variables were entered in a single Principal Component Analysis (PCA) in SPSS 24 to check whether one component accounted for most of the variance. Four components with eigenvalues greater than 1.00 were identified. These components accounted for 59.11% of the variance, with the largest component accounting for only 17.94%. No evidence of common method bias was detected. Furthermore, we also checked common method bias by using a confirmatory factor analytic approach in which common method bias is detected if a single latent factor accounts for all observed variables. The single factor model produced poor model fit ($\chi^2 = 937.399$, $df = 90$; $\chi^2/df = 10.416$; the goodness-of-fit index (GFI) = 0.810, adjusted GFI (AGFI) = 0.747, comparative fit index (CFI) = 0.684, Tucker-Lewis Index (TLI) = 0.631, incremental fit index (IFI) = 0.686, normed fit index (NFI) = 0.664, root mean square error of approximation (RMSEA) = 0.121). This suggests that common method bias is not a problem in this study.

Development of Measures

All items were measured on a seven-point Likert scale and asked respondents to report what happened in last three years of company's operation.

International entrepreneurial capability. This construct is developed based on the items used by Faroque et al. (2020a,b), Zhang et al. (2009) and the discussion of Karra et al. (2008). While Zhang et al. (2009) developed multidimensional measures of capability, we considered this as unidimensional. Our entrepreneurial capability construct includes six specific capabilities of entrepreneurs: prior international business experience, global vision, networking, innovative, proactive and risk-taking capabilities.

International EO. Previously validated scales were adopted for the three dimensions of international EO. These represent several commonly used items for the construct- as previously used by Covin and Slevin (1986), Knight and Cavusgil (2004), and Lumpkin and Dess (1996). We have refined innovativeness construct to reflect product, market, behavioral, strategic and process innovations based on the discussion and operationalization of Wang and Ahmed (2004). The established construct of innovativeness is mainly focused on product innovativeness which cannot truly reflect innovativeness of the whole organization.

International performance. Export performance is a complex multi-dimensional construct, relying on a number of different and interrelated variables internal and external to the firm (Katsikeas et al., 2000). In line with contemporary literature we have included some financial as well as non-financial measures. Financial measures include export sales volume, export sales growth, and export profitability (Katsikeas et al., 2000) whereas non-financial measures include new market entry/number of export countries (Katsikeas et al., 2000), the company's overall satisfaction with the quality of key suppliers' critical components, quality of the company's relationship with key overseas customers, and key customers' overall satisfaction with the quality of the company's products/ services (Lages et al., 2009).

Control variables. In their theoretical arguments on the EO-performance relationship as well as on the determinants of export performance, scholars (e.g. Achrol and Stern, 1988; Joshi and Campbell, 2003; Lumpkin and Dess, 2001; Zhou et al., 2010) emphasized the importance of control variables. We have included following control variables to allow for a better delineation of the relationships proposed in this study: firm age (operationalized as number of years since the establishment), firm size (number of employees), market uncertainty (vulnerability to the change in trade policies across borders), technology dynamics (change to technology relating to early internationalizing firm's main product/industry), price competitiveness (competitive advantage of early internationalizing firm's product price in

relation to major competitors in international markets), environmental dynamism (change in overseas customers' demand and preferences, competitors' new product introduction rate and new selling strategies).

Analysis Methods

For analytical purpose we used structural equation modeling (SEM). This technique is deemed appropriate when a series of regressions are performed and the dependent variable for one regression analysis is also the independent variable for another (Hair et al., 1998). SEM also enables to measure indirect effects between the constructs. SEM constitutes two components: (a) the measurement model, which reduces observed variable to a smaller number of latent factors, and (b) the structural model, which defines causal relationships among latent variables. A number of software programs such as LISREL, AMOS, and EQS are available for such analysis. We used AMOS 24 in this study.

Results and Analyses

Data were analyzed following three-step paradigm advocated by Gerbing and Hamilton (1996): exploratory factor analysis (EFA) in SPSS 24, confirmatory factor analysis (CFA) and SEM in AMOS 18. Prior to AMOS analyses, we performed EFA and reliability analysis to identify any poorly performing items of the measurement construct. In this exploratory stage we excluded several items with low factor loadings, high cross-loadings, or low item-to-total correlations. The remaining items were entered in CFA to verify the hypothesized factor structure and to assess convergent validity and discriminant validity. In EFA international entrepreneurial capability emerged as unidimensional and international performance as two dimensional as expected. International EO emerged as unidimensional as opposed to our expectation of conventional three-dimensional outcomes in entrepreneurship and IE literatures. However, from a literature review on EO-performance relationship Rauch et al. (2009) conclude that it is premature to suggest EO as a multidimensional rather than a unidimensional concept based on how the dimensions relate to performance. We therefore treated international EO as unidimensional based on EFA results.

Measurement Model

The measurement model with all 15 items is analyzed as a CFA. The covariance matrix for the 15 items is used for the analysis, and parameter estimates are made under the maximum likelihood (ML) method. Table 1 shows the correlation matrix and descriptive statistics for the constructs. Table 2 shows the standardized loadings obtained from the estimation of CFA model. Factor loadings in the measurement model are all significant and greater than 0.50 which indicates convergent validity. For adequate discriminant validity the diagonal elements of the correlation matrix should be greater than the off-diagonal elements (Fornell and Larcker, 1981). Table 1 shows that the measurement model demonstrates adequate discriminant validity which implies that the four constructs used in the model belong to distinct and separate entities.

Construct reliability was estimated by Cronbach's alpha, composite reliability (CR), and average variance extracted (AVE). Alpha values and CR scores of all constructs exceed the recommended threshold of 0.70 which suggests that a high internal reliability exists in the constructs (Fornell and Larcker, 1981). In addition, the AVE coefficients are all greater than 0.50 (the AVE of financial performance construct is 0.49 which is very close to 0.50), suggesting that the items are able to explain the variance in the constructs (Fornell and Larcker, 1981). Finally, the measurement model shows acceptable fit indices for RMSEA, GFI, AGFI, CFI, TLI, IFI and NFI which provides sufficient proof of model fit. Therefore, this model has been used as the basis of the structural model.

[Insert Tables 1 and 2 about here]

Structural Model

The conceptual framework of the study is simultaneously estimated in a structural equation model using ML estimation in AMOS 18. The overall chi-square for the model exhibited in Figure 2 was significant due to a large sample size ($\chi^2 = 327.086$, $df = 133$, $p < 0.00$; $\chi^2/df = 2.459$). Other fit indices, for example, GFI = 0.948, AGFI = 0.926, CFI = 0.944, TLI = 0.928, IFI = 0.944, RMSEA = 0.048 provide sufficient proof of model fit (Browne and Cudeck, 1993). Thus, the conceptual model fits the data well and does a good job in explaining the relationships among the latent variables. Direct, indirect, and total effects of the exogenous variables on the relevant endogenous variables were estimated with 90% confidence level and are reported in Table 3. Figure 2 shows the empirically tested structural model.

[Insert Figure 2 about here]

Consistent with hypotheses H1, the results indicate that there is significant positive relationship between international entrepreneurial capability of entrepreneurs and international EO of the firm ($\beta = 0.566$, $p < 0.01$). Similarly, as predicted by H2, international entrepreneurial capability of entrepreneurs is positively associated with both financial ($\beta = 0.244$, $p < 0.01$) and non-financial ($\beta = 0.251$, $p < 0.01$) performance measures. Supporting findings for H3 indicate that international EO of the firm is positively associated with both financial ($\beta = 0.255$, $p < 0.01$) and non-financial ($\beta = 0.213$, $p < 0.01$) performance outcomes.

In terms of indirect (mediated) effects of international EO (H4) we found that the relationship between international entrepreneurial capability of entrepreneurs and international performance is partially mediated by international EO across both dimensions of performance measures: financial ($\beta = 0.145$, $p < 0.01$) and non-financial ($\beta = 0.121$, $p < 0.01$). In terms of total effects, international entrepreneurial capability exerts significant and larger effects on both financial ($\beta = 0.389$, $p < 0.01$) and non-financial ($\beta = 0.372$, $p < 0.01$) performance measures.

In relation to control variables, environmental dynamism ($\beta = 0.108$, $p < 0.05$) and firm age ($\beta = 0.143$, $p < 0.01$) are positively associated with financial performance. In addition, environmental dynamism ($\beta = 0.141$, $p < 0.01$), market uncertainty ($\beta = 0.134$, $p < 0.01$), and technology dynamics ($\beta = 0.118$, $p < 0.05$) have positive relationship with non-financial performance. None of the control variables showed any significant association with international EO of early internationalizing firms.

Discussion and Conclusion

The point of departure for this study was to argue for the applicability and usefulness of quantitative methods in explaining the role of capabilities in entrepreneurial internationalization in general, while focusing on a neglected empirical context of low-tech manufacturing in developed economies in particular. In doing so, we investigated the relationships between international entrepreneurial capability, IEO, and international performance in the low-technology context of early internationalizing firms originating from

Bangladesh. In addition, we also explored the mediating role of IEO in the relationships between international entrepreneurial capability and international performance. We found that our hypotheses linking international entrepreneurial capabilities to increased entrepreneurial orientation and, consequently, to increased international performance were by and large supported by the quantitative empirical analysis. The present study therefore adds an important piece of knowledge to empirical IE research: First, it highlights the applicability of quantitative methods in explaining capability development in IE, with earlier research in the domain having been mostly conceptual or qualitative in nature (Mort & Weerawardena, 2006; Autio et al., 2011; Glavas & Mathews, 2014). Second, by taking the approach of examining early internationalizing firms from low-technology and developing market context, the present study further argues for the applicability of quantitative approaches in a domain where most quantitative studies have been conducted almost exclusively in developed market high-technology contexts (e.g., Raymond & St-Pierre, 2013; Torkkeli, 2014; Pinho & Prange, 2016). This study therefore further advocates that IE scholars should strongly consider quantitative approaches when aiming to shed light on the role of capabilities and orientations in entrepreneurial and early internationalization; and to do so regardless of the market or industry context that they deem the most suitable as their empirical basis.

This study also makes several contributions to the theoretical development of IE, most specifically to early internationalizing firm literature. First, while the capabilities perspective is expected to underlie early internationalization (Cavusgil & Knight, 2015) this study is among the few studies that empirically tested the impact of international entrepreneurial capability on performance of early internationalizing firms. To the best of our knowledge, there is no other study in IE that empirically tested the relationship between international entrepreneurial capability and EO. How entrepreneur's capability influences EO of early internationalizing firms is an important research area considering the crucial role of the entrepreneur in early internationalizing firm internationalization and success. Second, it also suggests an indirect link between international entrepreneurial capability and performance, in addition to a direct relationship between the two. Therefore, the present study is not just an argument for the applicability of quantitative methodology across market and industry contexts in IE, but also helps extend the theoretical discussion on the role of international entrepreneurial capabilities as important antecedents of successful internationalization.

Third, it sheds light on an emerging market traditional industry which is a specific ‘context contribution’ to IE. Fourth, our findings indicate that EO scale needs further refinement in international setting. Although EO scale achieved cross-cultural validity, replicating the previously developed scales for studies in the United States without enough investigation of the validity of these measures in international setting is becoming increasingly problematic (Kreiser, Marino, and Weaver 2002). While pretesting the EO scale in a cross-cultural setting, Kreiser, Marino, and Weaver (2002) reported significant cross-loadings between some items and due to the same problem, we have deleted some items from the EO scale. Knight and Cavusgil (2004) also reported the same problem regarding international EO construct even in their study of U.S. early internationalizing firms.

Fifth, we have used different measures of firm international performance, i.e., both financial and non-financial performance measures. Most previous studies in IE used either financial or non-financial measures. While each of the measures has its own strengths and limitations, using both of them in the same study gives more reliable results (Tang et al. 2008). Finally, we have positioned entrepreneurial capability as an entrepreneur level phenomenon, as opposed to firm level positioning by Zhang et al. (2009). While EO itself is a firm level capability construct and consists of innovative, proactive and risk-taking capabilities, positioning international entrepreneurial capability as firm level with similar capability dimensions would make no difference. This clear distinction in our study, we hope, will encourage researchers to further develop the construct and examine its impact on IEO and performance.

Implications

Several implications can be extracted from the findings for practitioners. First, for early internationalizing firms’ entrepreneurs, this study highlights the fact that entrepreneurs need to have certain entrepreneurial capabilities both to induce entrepreneurial orientation of the firm and to achieve superior financial and strategic performance outcomes in international markets. More specifically, prior international experience, proactive and innovative attitude, and networking capabilities of entrepreneurs help build managers’ entrepreneurial orientation and influence performance. Entrepreneurs in early internationalizing firms should, therefore,

develop and upgrade such entrepreneurial capabilities to build managers' entrepreneurial orientation and realize entrepreneurial success.

Second, it also suggests that while the range of capabilities is diverse, an entrepreneurial team be built to ensure the presence of all these capabilities. Having been successful in domestic markets does not necessarily guarantee the existence of entrepreneurial capabilities necessary to create an early internationalizing firm and become successful. In addition to the same entrepreneurial capabilities necessary in domestic entrepreneurship, IE requires some specific capabilities in order to take challenges prevailing in international environment (Karra et al., 2008). Third, for managers in existing early internationalizing firms, this study suggests that to achieve international performance managers need to capitalize on entrepreneur's capabilities. Building on entrepreneur's prior international experience, proactive and innovative attitude and networking capabilities, managers can develop their own proactiveness, risk taking, and innovative attitude and perform these activities to achieve higher performance advantage.

This study provides some important guidelines for public policy makers responsible for promoting international entrepreneurship. For one, it suggests that it is the entrepreneur who drives entrepreneurial orientation and international performance of early internationalizing firms. Therefore, public policy makers need to provide support in the areas entrepreneurs need to develop their entrepreneurial capabilities. According to Lefebvre et al. (2003), government assistance programs should target the most powerful determinants of export performance. In this study, for achieving financial performance, the contribution of international EO is greater than the contribution of international entrepreneurial capability.

In contrast, international entrepreneurial capability seems to be more influential than international EO in achieving non-financial performance outcomes. This suggests that financial outcomes are achieved through internal orientation and operations of early internationalizing firms and that is why international entrepreneurial capability needs to be mediated through international EO. By contrast, non-financial outcomes may be obtained by direct influence of international entrepreneurial capability because the entrepreneur himself is actively involved in building long term beneficial relationship with customers, in ensuring overseas customers' satisfaction reflected in quality products, and in seeking out new markets and customers.

Therefore, policy makers should have specific programs targeting entrepreneurs at the individual level and managers at the firm level.

In sum, this study has sought to respond to recent calls (Dabić et al., 2019) for conducting small- firm internationalization research, considering the capabilities of emerging market firms. By linking international entrepreneurial capability to entrepreneurial orientation and successful internationalization simultaneously, it helps to bring added insight on what it means to internationalize entrepreneurially, and empirically this study has contributed in illustrating these dynamics in a neglected context of low-tech developing countries context.

Limitations and Future Research

This study has some potential limitations. First, the measures we developed to assess international entrepreneurial capability showed sufficient reliability and validity but need to be cross-validated in other studies and can include some other entrepreneurial capabilities to make a wider and complete ‘capability set’. In addition, the scale of international EO we used in this study retained only five items out of 15 most used measures in pertinent literature. Therefore, a more comprehensive and customized scale is required to the best capture of the rich meanings of IEO construct in emerging economy setting. Second, regardless of entrepreneur’s capabilities and firm’s strategic orientations, other entrepreneur and firm-specific factors could have impact on early internationalizing firms’ performance. While we controlled for some key firm and international market factors, other factors relating to entrepreneur’s capabilities, environmental changes and industry dynamics (Lumpkin and Dess, 2001) could also be considered in future studies. Third, IEO may play different roles at different stages of early internationalizing firms (Zhou et al., 2010) and this is worth investigating in future studies. Fourth, one possible limitation of this study is the lack of generalizability of findings because of its focus on a particular industry of a particular country. The proposed model should be replicated in other countries as well as in other industry setting to establish greater generalizability. Finally, this study employed a cross-sectional research design which cannot fully capture the dynamic aspects of the constructs used in this study. A longitudinal research design is therefore recommended.

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Figures and Tables

Figure 1. International entrepreneurial capability, orientation and performance among early internationalizing firms: The direct and mediated paths

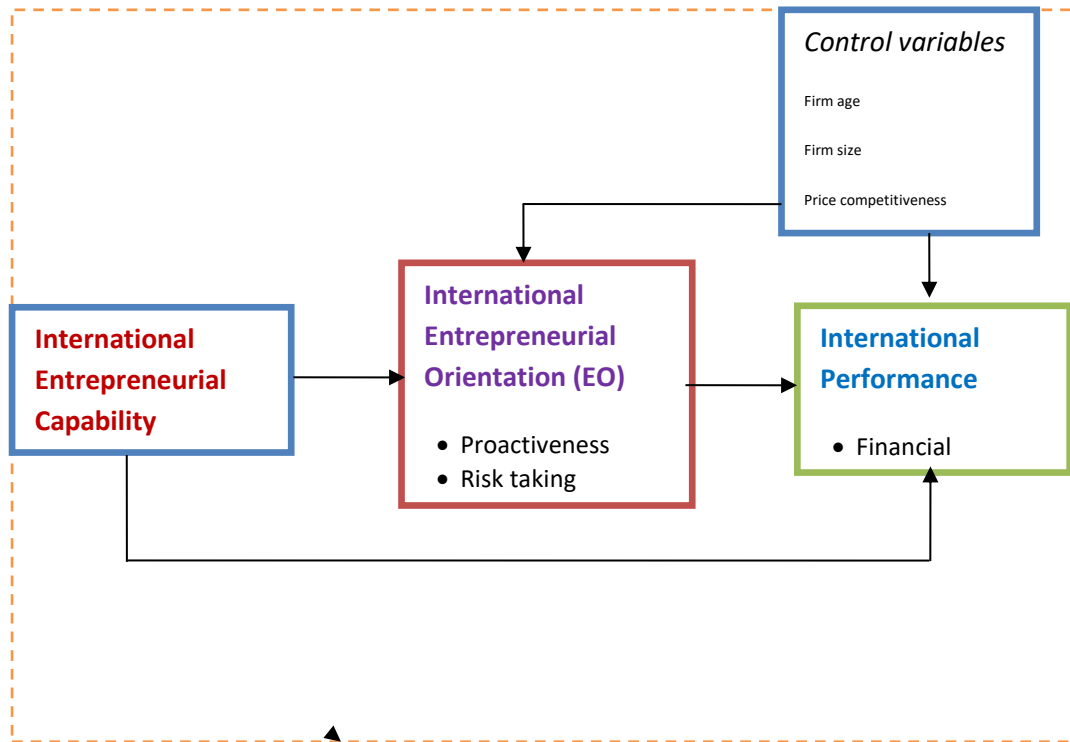
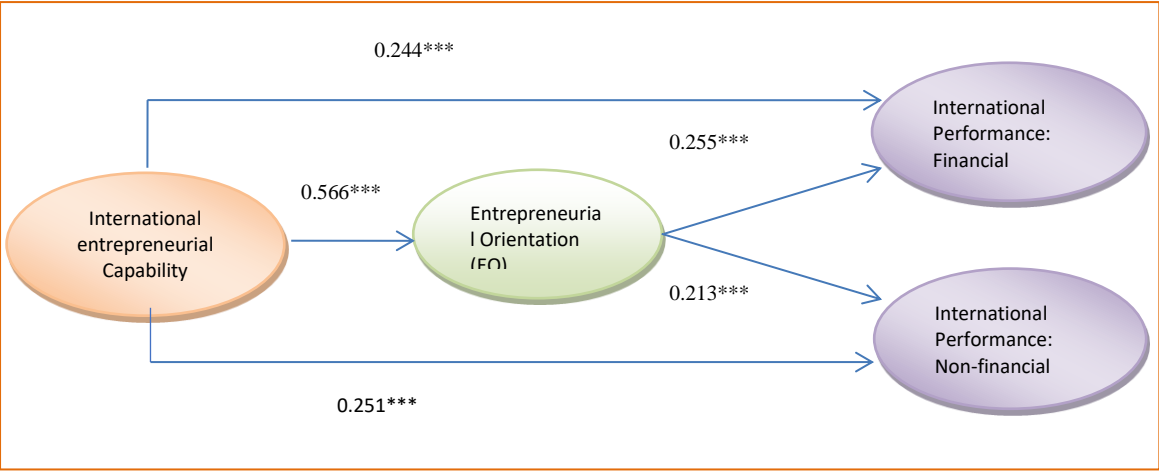


Figure 2

Results of structural equation modeling (SEM) on the hypothesized model



TABLES

Table 1

Correlation between constructs, means and standard deviation

Construct	Mean	SD	(1)	(2)	(3)	(4)
(1) International Entrepreneurial Capability	5.156	1.049	0.714			
(2) International Entrepreneurial Orientation (EO)	5.154	0.995	0.628	0.730		
(3) International Performance: Financial	5.012	0.989	0.466	0.459	0.700	
(4) International Performance: Non-financial	5.429	0.950	0.444	0.411	0.536	0.721

Note: Diagonal is the square root of the variance extracted.

Correlations greater than 0.13 are significant at the 0.05 level. Correlations greater than 0.17 are significant at the 0.01 level.

Table 2

Measurement scales and properties

<i>Constructs/items</i>	<i>Standardized loadings</i>	<i>α</i>	<i>CR</i>	<i>AVE</i>
<i>International Entrepreneurial Capability</i>		0.713	0.806	0.510
1. The founder(s) has prior international business experience before starting this business. (Prior international experience)	0.694			
2. The founder(s) has networking capability to build relationship with suppliers, customers and other network partners abroad.	0.654			
3. The founder(s) actively explore new business opportunities in international markets. (Proactiveness)	0.791			
4. The founder(s) of the firm has undertaken significant and risky resource commitments for international business. ^a				
5. The founder(s) is very innovative (in terms of creative ideas, products, process, problem solving, etc. in international business) (Innovativeness)	0.711			
<i>International Entrepreneurial Orientation</i>		0.783	0.850	0.530
<i>Proactiveness</i>				
1. Our top managers have regularly attended local/ foreign trade fairs. ^a				

2. Our top managers have usually spent some time abroad to visit.^a

3. Our top management actively seeks contact with suppliers or clients in international markets. 0.720

4. Our top management regularly monitors the trend of export markets.^a

Risk taking

5. Our top management focuses more on opportunities than risks abroad. 0.744

6. When confronted with decisions about exporting or other international operations, our top management is always tolerant to potential risks.^a

7. Our top managers have shared vision towards the risks of foreign markets. 0.751

8. Our top management believes that owing to the nature of the international business environment, it is best to explore opportunities abroad gradually via cautious, incremental steps.^a

9. When confronted with international decision-making situations, we typically adopt a cautious, 'wait-and-see' posture in order to minimize the chance of making costly mistakes.^a

Innovativeness

10. We are willing to try new ways of doing things and seek unusual, novel solutions. 0.745

11. We constantly search for new overseas customers. ^a

12. We always try to serve our existing / new overseas customers with new products/service offerings. 0.675

13. Our new products and services are often perceived as novel by our overseas customers. ^a

14. We are constantly improving our business processes. ^a

15. We have the ability to harmonize ambitious international business objectives with existing resources. ^a

International performance

Financial 0.724 .735 .490

1. Export sales volume 0.736

2. Export sales growth 0.794

3. Export profitability 0.536

Non-financial 0.720 0.764 0.520

1. New market entry/number of export countries 0.738

2. Our key customers' overall satisfaction with the quality of our products/ services 0.762

3. Quality of our company's relationship with key overseas customers 0.658

4. Our overall satisfaction with the quality of key suppliers' critical components^a

Measurement model fit indices are as follows: $\chi^2 = 294.783$, $df = 150$; $\chi^2/df = 1.965$; GFI = 0.957; AGFI= 0.934; CFI = 0.960; TLI = 0.944; IFI = 0.960; NFI = 0.923, RMSEA = 0.039

Note:

^a Indicates item that was dropped in the scale purification process in Exploratory Factor Analysis (EFA) in SPSS.

All standardized coefficient loadings are significant at $p < 0.01$.

CR=Composite reliability; AVE=Average variance extracted

Table 3

Standardized direct, indirect and total effects of exogenous variables in the model

Exogenous Variables	Type of Effects	Endogenous Variables					
		International Entrepreneurial Orientation (EO)		International Performance: Financial		International Performance: Non-financial	
		Beta	c.r.	Beta	c.r.	Beta	c.r.
International Entrepreneurial Capability	Direct Effect	0.566***	7.968	0.244***	3.308	0.251***	3.358
	Indirect Effect	-	-	0.145***	2.900	0.121***	2.327
	Total Effect	0.566***	7.968	0.389***	6.208	0.372***	5.685
International Entrepreneurial Orientation (EO)	Direct Effect	-	-	0.255***	3.763	0.213***	3.136
	Indirect Effect	-	-	-	-	-	-
	Total Effect	-	-	0.255***	3.763	0.213***	3.136

Critical ratios (c.r.) are significant: *** $p \leq 0.01$; ** $p \leq 0.05$; * $p \leq 0.10$

Bios

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