

The role of market knowledge and institutional networks in improving the export performance of apparel manufacturers in a developing country

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Abstract

This study explores the relationship between foreign market knowledge, institutional networks, and export performance and argues that it is insufficient for exporting firms to rely only on market knowledge to improve their performance. Foreign market knowledge must be supported by institutional networks to have a positive impact on export performance. This study is based on a survey of 206 apparel exporters from Bangladesh, the world's second-largest apparel exporter. We used regression analysis to examine the links between foreign market knowledge and export performance and the moderating influence of institutional networks. We found that of three dimensions of foreign market knowledge (institutional, business, and internationalization), only foreign business knowledge directly and positively affected export performance. Foreign internationalization knowledge significantly affected export performance only when moderated by institutional networks. This research makes significant contributions to the knowledge-based view and institutional network theory in internationalization and provides several managerial and academic implications.

Key words: *Market knowledge, internationalization, export performance, organizational capabilities, institutional network, Bangladesh.*

1. Introduction

The importance of foreign market knowledge to internationalization has been well documented in the international business (IB) literature (Clark et al., 2018; Jones et al., 2011), and a variety of knowledge bases are key factors for such companies to achieve optimal export performance (Mejri et al., 2018; Shearmur et al., 2015; Yli-Renko et al., 2001). Firms' foreign

market knowledge is essential to strengthening export performance (Radulovich et al., 2018; Rose & Shoham, 2002). Although all three dimensions of foreign market knowledge—foreign institutional knowledge, foreign business knowledge, and internationalization knowledge—have been explored in the literature (Eriksson et al., 2015; Faroque & Takahashi, 2012), their differential impacts on export performance have not been examined.

Foreign market knowledge is a critical resource for any firm and is one of the currencies of networking (Faroque & Takahashi, 2012; Wang & Xie, 2016). Market knowledge and knowledge drawn from networks is essential to the internationalization process (Bateman, 2000; Jones et al., 2011; Sharma & Blomstermo, 2003). Institutional networks established among firms and publicly funded, open-access institutions (including government agencies) also support the internationalization process by creating an atmosphere that fosters cross-border investment and knowledge-sharing, thereby promoting the success of both local and international businesses (Casillas et al., 2009; Lee et al., 2001; Oparaocha, 2015). Such support is provided voluntarily to intensify overall industry growth (Audet & St-Jean, 2007). As institutional networks can influence business outcomes, scholars have strongly advocated integrating network approaches with “mainstream” models of internationalization (Oparaocha, 2015; Prashantham, 2005). However, no research incorporating foreign market knowledge and export performance has empirically investigated this link; to date, researchers have simply identified positive relationships among business networks, export performance, and experiential knowledge (Díez-Vial & Fernández-Olmos, 2014; Lejpras, 2015). Specifically, Hilmersson and Jansson (2012a) investigated experiential, internationalization, and societal knowledge and institutional networks’ function in reducing uncertainty and institutional distance, and Bertrand (2011) argued that various forms of foreign market knowledge could be absorbed by managing a secure network relationship.

To better understand the relationship between foreign market knowledge and export

performance, we tested the individual effects of different forms of knowledge on export performance and the moderating role of the institutional network between three types of knowledge and export performance. Data were obtained from apparel exporters in Bangladesh: as an emerging economy of the world, it presents a good context for refining, testing, and developing theories (Peng & Heath, 1996). The findings are reported and discussed, and their theoretical, managerial, and policy implications are presented. Finally, research limitations and future research avenues are discussed.

2. Background Literature and Hypotheses

The Gap in the Research

In this study, we attempt to fill in the gap in the relevant existing literature on export knowledge, institutional networks, and export performance. It is well known that firms use network capabilities to gather information, alleviate risk, and mobilize resources (Zhou et al., 2010). Personal networks within business groups assist firms in transferring knowledge, exchanging information, securing advanced technology, and combining skills and assets (Katsikeas et al., 2009). Therefore, firms with strong network ties often achieve superior performance (Zhou et al., 2014). Institutional networks act as sets “of two or more connected network relationships, in which each exchange relation is between business firms that are conceptualized as collective actors” (Emerson, 1981): These networks include competitors, suppliers, buyers, and distributors, as well as institutions such as business incubators, financial institutions, R&D institutions, etc. (Gemser et al., 2004; Oparaocha, 2015; Sharma & Johanson, 1987). Many desirable international markets require that vendors from emerging economies have strong domestic institutional support for foreign direct investment (FDI) and solid knowledge and capabilities (Lu et al., 2014). Domestic institutional networks promote export performance by providing various forms of necessary assistance and removing barriers (Lu et

al., 2014). Business networks are important to the internationalization of small and medium enterprises (SMEs), although the impact of institutional networks on the relationship between foreign market knowledge and export performance has been overlooked. We investigated the contingent role of institutional networks to demonstrate that domestic institutional networks can enhance market knowledge and firms' organizational capabilities. We focused upon domestic government institutional support as a particularly distinctive aspect of the domestic institutional context for Bangladeshi apparel firms.

The Knowledge-based View (KBV) and Institutional Theory (IT)

Lack of knowledge is a major barrier to the internationalization of SMEs (Shaw & Darroch, 2004). This prompted researchers to formulate the knowledge-based view (KBV) of internationalization (Johanson & Vahlne, 1977, 1992; McAuley, 1999; Nambisan et al., 2019; Salunke et al., 2019). Few studies have examined the theoretical underpinning of the KBV with regard to early internationalization (Gassmann & Keupp, 2007; Villar et al., 2014), but it advocates knowledge as an important strategic resource: Firms can exploit KBV to acquire, transform, and utilize knowledge to improve their export performance (Javernick-Will & Levitt, 2009; Mostafiz et al., 2019). At the same time, foreign market knowledge advances and improves relationships between local and international networks by creating partnerships (Jansson, 2008; Riviere et al., 2018).

KBV must be considered in any investigation of the relationship between foreign market knowledge and export performance involving the moderation of institutional networks because it further supports the development of a theory of internationalization, which can then be used by firms seeking to make this move early on (Ahmed & Brennan, 2019; Cavusgil & Knight, 2015; Zhou, 2007). Grant (1996) argued that knowledge can be integrated externally through relational networks that span organizational boundaries. These networks provide efficient mechanisms for accessing and integrating new knowledge, especially in environments

where rapid and expansive knowledge integration are paramount for sustaining a competitive advantage (Eisenhardt & Santos, 2002). We therefore used foreign market knowledge and the network perspective of KBV (Andersson et al., 2016) to argue that the relationship between FMK and export performance can be moderated by institutional networks. Furthermore, as knowledge is context-specific according to KBV (Shu et al., 2012), we argue that export performance can be better improved in this way.

Institutional support can be the driving force for internationalization as a network (Melo Brito, 2001). Institutional theory (IT) has the potential “to bridge the action-structure dualism” and emphasizes the relationships between exporting firms and government and other extended social-organizational collaborations (Conrad, 2000). Institutional networks enhance interorganizational relationships by promoting mutual interests (Melo Brito, 2001). A lack of institutional support, such as that from chambers of commerce, government agencies, universities, etc., could hamper a country’s export activities (Gemser et al., 2004). Domestic institutional support may be crucial for accessing the knowledge and resources that can ensure firm’s ability to access a foreign market (Luo & Tung, 2007). A handful of studies in the export literature have examined the actions of institutions from both domestic and exporting country perspectives (McGahan & Victor, 2010), but the rapport between domestic government strategy with regard to exporting firms and the varying knowledge of local firms has been largely overlooked.

Firms that internationalize early on use institutional networks as a corporate strategy to build relationships with foreign entities and domestic parties to order to improve their global performance (Jansson, 2008). In this study, we use the relational perspective of IT to assess the value of institutional networks.

Key Variables

Foreign market knowledge.

Knowledge is considered one of the most valuable and meaningful organizational assets (Marr et al., 2004) affecting a firm's export performance, and plays an important role in both the internationalization process (IP) and born global (BG) theories of internationalization (Autio et al., 2000; Sousa et al., 2008). This study focuses on three types of market knowledge based on KBV: foreign institutional knowledge, foreign business knowledge, and internationalization knowledge (Eriksson et al., 2015; Faroque & Takahashi; 2012; Sharma & Blomstermo, 2003). Foreign institutional knowledge refers to knowledge of laws and regulations and a firm's ability to work in a multidimensional environment, including its knowledge of foreign language(s), cultural issues, norms and regulatory matters, economic situation, *etc.* (Bell & Cooper, 2018; De Clerq et al., 2012; Johanson & Vahlne, 2003). Foreign business knowledge comprises knowledge about customers, competitors, and distributors (Johanson & Vahlne, 2009), while internationalization knowledge refers to a firm's capacity to design and implement internationalization strategy, top management knowledge, and marketing knowledge (Blomstermo et al., 2004).

Casillas et al. (2009) proposed that knowledge influences a company's international behavior in three different ways, each related to a different level of analysis: individual, company, and network. At the individual level, entrepreneurs' and managers' experiences are fundamental to understanding the early internationalization of BG companies (Yang & Gabrielsson, 2017). At the organizational level, younger companies must acquire new knowledge and skills for foreign expansion quickly by actively participating in knowledge-sharing networks at an individual or company level (Cavusgil & Knight, 2015; Vahlne & Bhatti, 2019).

BG companies may acquire necessary knowledge by networking with export promotion agencies, exporters' associations, and export trading companies (Falahat et al., 2018; Love & Roper, 2015). Participating in trade fairs and trade missions provides exporters with

experiential information and knowledge that would be otherwise very difficult or expensive to gather (Österle et al., 2018). In Bangladesh, export trading companies provide hands-on practical knowledge to apparel exporters in the form of technical assistance in developing products, inspecting quality, and assisting in exporting goods to buyers. Various publications produced by government promotion agencies and exporters' associations provide objective information that is also essential to enter into and succeed in new markets.

Institutional networks.

Institutional networks involve formal institutions such as unions, governments, government organizations, organizations for international development, and others (Oparaocha, 2015). Expediting activities in foreign markets and overcoming export-related barriers in internationalizing firms are key functions of this type of network (Bateman, 2000). To enter a foreign market, an entrepreneurial firm needs additional financial and human resources to conduct marketing research, find partners, conduct negotiations, make contracts, deliver products, etc. While many of these resources can be obtained from other actors in these firms' business networks (Holmlund & Kock, 1998), a particular firm's relationships with government institutions and agencies influence its decision to go international, as these relationships may provide greater access to international opportunities (Mahajar & Carraher, 2006). Such relationships not only trigger and motivate internationalization, they also influence a firm's choice of markets, entry mode, and pace and pattern of expansion, as well as helping it gain its initial credibility, allowing access to further relationships and established channels, lowering costs, and reducing risks (Zain & Ng, 2006). Mahajar and Carraher (2006) pointed out that the export assistance programs SMEs take part in are beneficial.

Institutional networks disperse knowledge and resources in the form of both experience and information (Brass et al., 2004), thus confirming that they work interpedently and in a complementary way (Johanson & Mattsson, 2015). Especially in an institutional network,

having experiential knowledge is considered one of the most important factors in reducing uncertainty in internationalization (Faroque & Takahashi, 2012). Knowledge generated by experiential institutional networks can be acquired as part of the support received from different governmental institutions (Serinhaus, 1986). Experiential institutional networks provide a framework for perceiving and formulating opportunities in international markets (Johanson & Vahlne, 1977).

This study focuses on foreign market information based on *customer demand* (Gulati et al., 2000), collaboration *with international business associates and partners* (Ahuja, 2000; Baum et al., 2000), and *searching information for locating suppliers* (Gulati et al., 2000; Johanson & Mattsson, 2015). Using informational and experiential assistance from a variety of institutional networks positively affects export performance (Toften, 2005).

Export performance.

We reviewed many recent studies on export performance measurement (e.g., Azar & Ciabuschi, 2017; Cadogan et al., 2016; Julian et al., 2014; Oura et al., 2016; Racela et al., 2007; Sundqvist et al., 2000). Several of these studies used both subjective and objective performance indicators (Stoian et al., 2011), but subjective measures are important for in-depth understanding of the underlying aspects (Madsen & Moen, 2018). We identified a number of specific export performance indicators suitable for early internationalizing firms (Kuivalainen et al., 2007): Those used most often were profitability (Kim & Hemmert, 2016; Love et al., 2016; Navarro-García et al., 2013; Yan et al., 2017; Wang et al., 2013), product quality competitiveness (Benkovskis & Wörz, 2016; Cooper et al., 2018; Kim, 2018; Xiong & Beghin, 2017), improved cost competitiveness (Aggarwal, 2002; Boehe & Cruz, 2010; Carlin et al., 2001), and strategic expansion (Chung, 2012; Katsikeas et al., 2000; Lin et al., 2014; Murray et al., 2011; Pauwels & Matthyssens, 2004).

The Relationship between Foreign Market Knowledge, Institutional Networks, and

Export Performance

Market knowledge and export performance.

A major barrier to export success is a lack of foreign market knowledge (Beeman et al., 2007), which is one of the most pertinent sources of competitive advantage when it comes to operating at an international level (Fernades et al., 2013; Ramadani et al., 2017; Rexhepi, 2015). Previous studies have mentioned that having foreign market knowledge positively influences export performance (Abazi-Alili et al., 2014; Ramadani et al., 2017).

Export market knowledge influences performance both directly and indirectly (Aaby & Slater, 1989; Ali & Shamsuddhoa, 2007; Amine & Cavusgil, 1986; Hahti et al., 2005; Hart et al., 1994; Wang & Olsen, 2002); Sousa et al. (2008) defined foreign market knowledge as the knowledge-based capabilities that influence a firm's export performance. SMEs that are not involved in foreign business or have only low involvement may lack necessary foreign business knowledge, which can exacerbate uncertainty if they expand abroad (Chen & Martin, 2001). Zhou (2007) argued that acquiring foreign business knowledge facilitates and accelerates internationalization.

Several studies have examined the factors that drive the internationalization of SMEs from a developing country perspective (Autio et al., 2000; Baier-Fuentes et al., 2018; Cuervo-Cazurra et al., 2018; Jia et al., 2018; Thompson et al., 2019; Yaprak et al., 2018). However, knowledge regarding internationalization remains limited, particularly from the perspective of SMEs' export performance. Yeoh (2004) mentioned that as an incremental approach, firms engaged in international activities can acquire the necessary international knowledge and experience at low cost. Erkkö et al. (2000) emphasized that internationalization knowledge plays an important role in both the IP and BG theories of internationalization. Prior studies have also mentioned that a higher degree of internationalization knowledge generates additional revenue sources (Fernhaber, 2013). Furthermore, foreign institutional knowledge is

also important in attaining international financial goals (Javernick-Will & Scott, 2010). Based on the existing literature, we hypothesized that internationalizing firm's market knowledge influences its export performance:

H1: Foreign market knowledge (i: foreign institutional knowledge; ii: foreign business knowledge; and iii: internationalization knowledge) has a positive impact on export performance.

Moderating relationship

Institutional network relationships play several important roles in IB, i.e., in the knowledge creation of small firms (Evers & O'Gorman, 2011; Johanson & Vahlne, 2003; Tolstoy, 2010), the early internationalization of firms (Chetty & Holm, 2000; Child et al., 2002; Hilmersson & Jansson, 2012b Johanson & Vahlne, 2003), and understanding and explaining SME internationalization (Hadley & Wilson, 2003; Oviatt & McDougall, 2005). Cooperative network relationships have a positive effect on firms' innovation performance, and some scholars have examined foreign institutional knowledge as a moderating influence (Gu et al., 2016).

Building good network relationships with government institutions allows firms to mobilize more resources, improving their market knowledge and, in turn, their export performance (Chetty & Holm, 2000). Attending local and international trade fairs and participating in trade missions sponsored by government institutions allows firms to gather first-hand foreign market knowledge (comprising the three forms of knowledge mentioned in *H1*) about overseas customers, their needs and preferences, foreign laws and regulations, and foreign competitors (Spence, 2003). Added to a firm's existing foreign market knowledge base, this knowledge can help improve its performance in overseas markets. Unfortunately, few studies have examined institutional networks as an important factor in international export

performance. We therefore assume that institutional networks have a moderate effect, somewhere between those of market knowledge and export performance. Our second hypothesis is as follows:

H2: The relationship between the three forms of foreign market knowledge and export performance is positively moderated by institutional networks (i: informational; ii: experiential).

An illustration of the conceptual framework used in this study is presented in Figure 1.

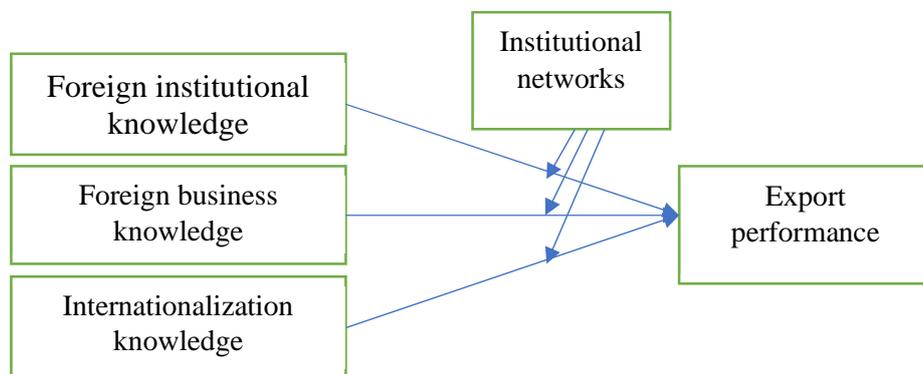


Figure 1. Conceptual framework: The relationship between market knowledge, institutional networks, and export performance.

3. Methods

The study is focuses on the apparel export industry in Bangladesh, the second-largest apparel-exporting country after China (Alam et al., 2019). Emerging economies continue to become more important to the global marketplace, making information about them critical; the apparel export industry in Bangladesh is especially important in this context due to its global relevance (Meyer, 2006). Although Bangladesh once lacked a sound institutional environment, the government has implemented a number of policy initiatives and support schemes that helped the industry to reach its current global status, making it worthwhile to investigate whether institutional networks have indeed helped exporters improve their export performance, especially by assisting the creation of liaisons with foreign buyers and other support. Although

it is strategically important in the global apparel value chain, few studies have explored the determinants of export performance of firms in this industry (Faroque et al., 2017). Further research on this industry will generate knowledge that will help other aspiring players to excel in the global value chain.

Sample and Data Collection

Data were collected from export managers and other high-ranking officials of 235 exporting firms who were directly involved in exporting activities and who had sufficient knowledge of relevant activities. The questionnaire used was based on established measurement scales and a prior pilot survey. In-person interviews were conducted when the questionnaire was administered to ensure the maximum response rate (we achieved an effective response rate of 87 percent). We chose firms in the broader Dhaka region and adjacent areas (i.e., Narayanganj, Gazipur, and Savar) where more than 85 percent of Bangladesh's apparel manufacturers are located. After checking for missing data and conducting a normality test, the final data set yielded 206 responses. All apparel manufacturers in Bangladesh either internationalized early or were created as such, as they are forbidden to sell their products domestically because exporters receive preferential benefits—specifically, they import raw materials tax-free (Faroque, 2015; Uddin & Jahed, 2007). About 90 percent of the sample firms had more than 500 employees, indicating the labor-intensive nature of the industry. About 80 percent had no more than 10 years of exporting experience, demonstrating that more than half of the sample comprised young firms. Twenty percent of the firms exported to up to three countries, 50 percent to four to six countries, and the remaining 30 percent to more than six countries.

Measurements

The measurement scales for this study were adapted from existing valid scales. Six items used to measure foreign institutional knowledge were adapted from Eriksson et al.

(1997), as they had been used by other authors such as Johanson and Vahlne (2009), Yli-Renko et al. (2001), and Autio et al. (2000). Three items were adapted from Hadley and Wilson (2003) to measure foreign business knowledge and three scales of internationalization knowledge were adapted from Eriksson et al. (1997) and Hadley and Wilson (2003) (with some modification). The measurement scales for institutional networks (informational and experiential) were adapted from Johanson and Vahlne (2003). To measure export performance, we adapted six items from Cavusgil and Zou (1994). Some items were dropped in the scale purification process (see Table 1); all omissions are indicated by an asterisk.

Reliability and Validity

Construct reliability, which was used to evaluate the consistency of the items used to measure the variables, was estimated using Cronbach’s α . Typically, reliability coefficients of 0.70 or higher are considered adequate (Nunnally, 1978). As can be seen in Table 1, all of the Cronbach’s α values we obtained are well above 0.70. Therefore, our results imply that the theoretical constructs used in this study exhibit good statistical properties.

Construct validity is the extent to which items on a scale measure a theoretical construct. A loading of 0.5 is the suggested minimum level for item loadings on established scales (Bagozzi et al., 1991). As indicated by the information presented in Table 1, the factor loadings of all the items used in this study are above 0.50, suggesting that the relationships between the items and the constructs were statistically significant. A correlation matrix is presented in Table 2.

Table 1.

Descriptive Statistics, Measurements, Standardized Factor Loadings and Reliability Tests

Constructs/Items	Standardized Factor Loadings	Mean/SD
Foreign Institutional Knowledge ($\alpha=.850$, $CR=.864$, $AVE=.561$)		5.154/.995

1. Knowledge of foreign language(s)	.780	
2. Knowledge of foreign, regional, and international business laws and regulations (e.g., WTO, SAFTA, APTA, etc.)	.853	
3. Knowledge of foreign business norms and standards	.833	
4. Knowledge of the economic status of export markets	.801	
5. Ability to prepare and handle necessary export documentation	.673	
6. Knowledge of government laws and regulations related to exporting, as well as government agencies and their export promotion programs*		
Foreign Business Knowledge ($\alpha=.770$, $CR=.84$, $AVE=.51$)		5.396/1.07
1. Knowledge of foreign competitors	.850	
2. Knowledge of the current and changing needs of foreign clients/customers/buyers	.847	
3. Knowledge of export channel structure	.785	
Internationalization Knowledge ($\alpha=.761$, $CR=.822$, $AVE=.54$)		4.64/1.145
1. Top managers' international business experience and personal international network	.845	
2. Top managers' ability to identify foreign business opportunities	.862	
3. International marketing ability to modify marketing mix elements (e.g., product, price, distribution, promotion) for foreign markets	.759	
Institutional Networks—Experiential (measured by the experiential support received from different governmental institutions) ($\alpha=.752$, $CR=.73$, $AVE=.57$)		5.332/1.205
1. Government-organized international trade fairs	.853	
2. Government-supported trade missions to export markets	.791	
3. Government-organized, international-standard local trade fairs	.808	
Institutional Networks—Informational (measured by informational support received from different governmental institutions) ($\alpha=.731$, $CR=.71$, $AVE=.53$)		5.22/1.06
1. Advisory services on how to improve environmental standards, product quality, and marketing and adaptation	.713	
2. Assistance in establishing contacts with foreign buyers	.814	

3. Assistance in getting information about markets, global trends in the garment business, major global trade agreements, and WTO guidelines	.801
Export Performance ($\alpha=.819$, $CR=.78$, $AVE=.58$)	5.12/0.80
1. Increase export sales	.720
3. Expand strategically into foreign markets	.778
4. Increase company profitability	.777
5. Improve product quality competitiveness	.811
6. Improve cost competitiveness	.722

*Indicates item that was dropped during the scale purification process

All standardized coefficient loadings were significant at $p < 0.01$

AVE, average variance extracted; CR, composite reliability.

Table 2.

Correlation Matrix

	1	2	3	4	5	6
1 Foreign institutional knowledge (FIK)	-					
2 Foreign business knowledge (FBK)	.481**	-				
3 Internationalization knowledge (INK)	.482**	.501**	-			
4 Institutional networks-experiential	.259**	.143*	.181**	-		
5 Institutional networks-informational	.038	.054	.025	.475**	-	
6 Export performance	.286**	.347**	.291**	.246**	.021	-

*Correlation is significant at the .05 level (two-tailed)

**Correlation is significant at the .01 level (two-tailed)

4. Results

In Table 3 below, for Model 1 we included FIK, FBK, and INK, which produced only FBK as a significant predictor of export performance, with an R square .140 and a significant F-value (10.998). In Model 2, we inserted both experiential and informational institutional networks, of which only experiential networks appeared to be significant. In Model 3, we inserted the interaction term (institutional knowledge \times institutional networks—experiential)

and (institutional knowledge \times institutional networks—informational) to check the moderating effects of the experiential and informational institutional networks, respectively. We found that neither form of institutional network had a moderating effect. Similarly, Model 4, in which we inserted the interaction terms (business knowledge \times institutional networks—experiential) and (business knowledge \times institutional networks—informational), indicated that the two institutional networks had a non-significant moderating influence. However, Model 5 indicated that although the experiential institutional network has no moderating influence, the informational institutional network has a significant moderating influence on the relationship between internationalization knowledge and export performance.

Table 3.

Regression Analysis

	Model				
	1	2	3	4	5
Predictors					
Foreign institutional knowledge (FIK)	.054	-.013	-.019	-.016	.027
Foreign business knowledge (FBK)	.237*	.266**	.266**	.286**	.186
Internationalization knowledge (INK)	.146	.123	.125	.118	.202
Institutional networks—experiential		.242**	.244**	.228**	.224**
Institutional networks—informational		-.110	-.113	-.097	-.124
Foreign Institutional knowledge \times Institutional networks—experiential			-.058	.018	.028
Foreign Institutional knowledge \times Institutional networks—informational			.056	.046	.050
Foreign Business knowledge \times institutional networks—experiential				-.119	-.120
Foreign Business knowledge \times institutional networks—informational				.009	-.154

internationalization knowledge.

Of the three types of foreign market knowledge, we found that only foreign business knowledge was positively associated with export performance, indicating that in a growing economy like Bangladesh apparel exporters must focus more on foreign business knowledge because most of them internationalized early. This is interesting but unsurprising, as it confirms the results of previous studies (Autio et al., 2000; Hadley & Wilson, 2003). Foreign business knowledge comprises knowledge of clients, their needs, and their decision-making processes, and is thus essential for firms that internationalize early (Sharma & Blomstermo, 2003).

We found no direct relationship between foreign institutional knowledge and export performance. According to Hadley and Wilson (2003), foreign institutional knowledge is concerned with knowledge of government, culture, and institutional frameworks and norms. Early internationalizing firms are hurt by the “liability of newness”—their limited foreign business and institutional knowledge (Hannan & Freeman, 1984).

Networks are the paramount source of information for firms that internationalize early (Sharma & Blomstermo, 2003). In labor-intensive markets, potential foreign clients contact apparel manufacturers and express interest in purchasing products (Alam et al., 2019), but firms that internationalize early rely on network ties (distributors and agents) to collect foreign institutional knowledge. Because of their lack of experience of foreign markets, such firms often fail to appreciate the importance of institutional knowledge and thus do not collect information on important prospective clients. It is essential that early internationalizing firms take time to realize the importance of institutional knowledge in establishing international business (Sharma & Blomstermo, 2003).

We also found no direct relationship between internationalization knowledge and export performance, which was also unsurprising given Cohen and Levinthal’s (1990) observation that internationalization is a continuous process and an “absorptive capability” that

determines whether firms that internationalize early will be able to acquire such knowledge in the future.

We found that it is not necessary for firms that internationalize early to accept experiential and informational assistance from institutional networks immediately. Sharma and Blomstermo (2003) highlighted that new global firms and those that internationalize early initially lack of experience and information. Our findings confirm this, and we found that institutional networks (neither informational nor experiential) had no moderating effect. We wish to emphasize that it is unsurprising that firms that internationalize early in a developing country like Bangladesh do not have foreign institutional knowledge and foreign business knowledge from the outset. Foreign internationalization knowledge becomes a significant determinant of export performance only when moderated by an institutional information network (measured by the informational and advisory assistance received from government agencies), which indicates that *H2* is partially supported. This indicates in turn that a firm's domestic institutions are pivotal—they may constitute internal resources for the internationalization of firms and enhance export performance (Yu, 1990). Similarly, Sharma and Blomstermo (2003) emphasized that strong network ties could provide essential knowledge for the early internationalization of firms.

Academic Implications

This study offers several academic implications. First, it provides valuable empirical insights into and support for the role of foreign market knowledge (institutional, business, and internationalization) and institutional networks (experiential and informational) to investigate export performance (Mostafiz et al., 2019; Zhou, 2007). It also gives an idea of which of the different types of foreign market knowledge are necessary for early internationalization firm (Salunke et al., 2019), thus confirming the KBV theory from the knowledge domain

perspective. Second, it provides a much-needed understanding of firms that internationalize early based on their foreign market knowledge from an emerging economy perspective. Our findings support institutional theory and KBV, particularly in that early internationalization necessitates a knowledge base and an institutional network to allow a firm to internationalize and achieve superior international performance.

6. Limitations and Future Avenues

This study is not exempt from limitations, although it also offers future avenues for researchers. First, we used a cross-sectional research design, and were thus unable to confirm the causal evidence gathered from the variables used. Future researchers could employ a longitudinal research design to identify the time lag and long-term outcomes. Second, although we assessed three types of foreign market knowledge and found only one type to be significant, future studies can investigate how an accelerated internationalization process could improve performance via implementing foreign business and internationalization knowledge (Mostafiz et al., 2019). Third, we investigated the individual and joint effects of foreign market knowledge and institutional networks on firms that internationalize early; future studies could investigate both early internationalized and traditional exporting firms and compare the differential effects they experience. Fourth, the data being taken from a single industry limits the generalizability of the findings: Future research could replicate this study in other countries and multiple industry settings. Finally, how domestic firms' links to foreign companies influence their export performance might constitute a possible subject of future studies.

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