



Anisur R. Faroque

**PRIOR EXPERIENCE, ENTREPRENEURIAL  
OUTCOMES AND DECISION MAKING  
IN INTERNATIONALIZATION**



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## **PRIOR EXPERIENCE, ENTREPRENEURIAL OUTCOMES AND DECISION MAKING IN INTERNATIONALIZATION**

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## **Abstract**

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Internationalization has been the holy grail for many growth-oriented firms, large and small alike, and has attracted immense research interest among scholars. Researchers in the internationalization field have focused on two major important areas: (a) the entrepreneurial performance outcomes of internationalization and its associated antecedents, moderators and mediators and (b) a decision-making perspective and outcomes. Because international performance is a major measure for evaluating the entrepreneurial success of internationalization, a large body of research focuses on the antecedents of internationalization performance. Lately, decision making in internationalization has been emerging as an important area of research in international business (IB) because prior research has not sufficiently addressed this. However, the treatment of prior experience and the inclusion of cognitive theory is missing. Because entrepreneurial managerial cognition is greatly influenced by prior experience (Westhead, Ucbasaran, & Wright, 2005), an understanding of this relationship is crucial. To address this research gap, this dissertation studies cognition-based key antecedents (including prior experience) to entrepreneurial internationalization outcomes (including performance and opportunity recognition) and key internationalization decisions (such as market entry and entry mode choice), using structural equation modeling and scenario-based experiment, respectively.

Overall, this dissertation responds to a call for research on the experience and cognitive perspective in investigating entrepreneurial internationalization outcomes and decision making while making four important contributions to the IB literature. First, it shows how prior experience influences international performance indirectly through the cognitive capital (i.e., global vision) of the owner-managers. Second, it exhibits how prior experience impacts international performance indirectly through export market orientation. Third, it differentiates between exploration and exploitation types of network capabilities and proposes entrepreneurs' prior experience as an essential microfoundation of such capabilities. Finally, as a response to further research on entrepreneurial managerial cognition, this dissertation makes significant contribution by theorizing and empirically showing that cognitive heuristics and biases interplay in the internationalization decisions of firms.

**Keywords:** Prior experience, network capabilities, international performance, internationalization decisions, cognition, heuristics, biases



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Anisur R. Faroque  
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*To all my life-long supervisors and knowledge-seekers!*





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## List of publications

This dissertation is based on the following publications. They summarize the contribution of the research, all written in cooperation with other coauthors. The rights have been granted by the publishers to include the papers in the dissertation.

### PUBLICATION I

Faroque, A.R., Mostafiz, I., Kuivalainen, O., & Sundqvist, S. (2020). Prior experience and export performance: The missing link of global vision. *International Review of Entrepreneurship*, 18(1), 73-98.

The first author was responsible for reviewing the literature, developing the theoretical framework, collecting data and writing most of the manuscript. This article underwent a double-blind review process and was published in the *International Review of Entrepreneurship*.

### PUBLICATION II

Faroque, A.R., Mostafiz, I., Faruq, M.O., & Bashar, M.F. (2020). Revisiting entrepreneurial capabilities and export market orientation: A multi-scale investigation in an emerging economy. *International Journal of Emerging Markets*, 16(3), 556-579.

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### PUBLICATION III

Faroque, A.R., Morrish, S., Kuivalainen, O., Sundqvist, S. & Torkkeli, L. (2021). Microfoundations of network exploration and exploitation capabilities in international opportunity recognition. *International Business Review*, 30(1), 101767.

The first author came up with the idea for this research and the research model, collected data and prepared the manuscript. Co-authors made valuable contributions to the idea refinement and manuscript development. All authors collaborated to address reviewers' comments. This article underwent a double-blind review process and was published in the *International Business Review*.

## PUBLICATION IV

Faroque, A.R., Ahi, A., Kuivalainen, O., & Sundqvist, S. (2021). *Entry mode decision-making and status quo bias* [Paper presentation]. Academy of International Business 2021 Online Conference.

The first author came up with the topic, which later became the research gap. Co-authors made valuable contributions to the idea refinement, manuscript development and data collection. Moreover, the co-authors along with the first author facilitated work in areas regarding methodology and made contributions to the theory and practice. This article was accepted as a competitive conference paper, after a double-blind review process, at the Academy of International Business (AIB) 2021 Online Conference.

## PUBLICATION V

Faroque, A.R., Sundqvist, S., Kuivalainen, O., & Casulli, L. (2021). *The power and perils of cognition: Longitudinal and adaptive perspective of heuristics and biases in early and post-entry (de-/re-)internationalization* [Paper presentation]. 16<sup>th</sup> Vaasa Conference on International Business Online Conference.

The first author came up with the research idea and the model, and initially reviewed the literature. Co-authors made valuable contributions to the idea refinement and manuscript development.

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## Nomenclature

### Abbreviations

IB	International business
DC	Dynamic capabilities
EIF	Early internationalizing firm
IE	International entrepreneurship
INV	International new venture
MNE	Multinational enterprise
OR	Opportunity recognition
RBV	Resource-based view
SEM	Structural equation modeling
SME	Small- and medium-sized enterprises
SQB	Status quo bias
WOS	Wholly owned subsidiary





# 1 Introduction

Both large multinational enterprises (MNEs) and small and medium sized enterprises (SMEs) have been going international despite the historic propensity for only large MNEs to do so. Due to the lifting of trade barriers and the advancement of telecommunication and transportation technologies, firms of all ages and sizes all over the world have been levelling the playing field by marketing themselves and selling in the global market. Consequently, research interests in the field of international business (IB), which was once dominated by the managerial thoughts, challenges, and success stories of MNEs and their internationalization, started to focus on the entrepreneurial internationalization of firms irrespective of age and size. Entrepreneurial internationalization essentially incorporates both internationalization (IB) and entrepreneurship fields and is defined as ‘a process characterized by innovative, proactive and risk-seeking activities across national borders’ (Nummela et al., 2020, p. 2). Hence, a new field of research, known as ‘International Entrepreneurship’ (IE), has evolved at the intersection of entrepreneurship and IB and focuses on the entrepreneurial aspects of firms’ internationalization (McDougall & Oviatt, 2000), thus making entrepreneurial internationalization as its core (Jones et al., 2011). An indispensable area of research in entrepreneurial internationalization is the investigation of early internationalizing firms (EIFs), such as international new ventures (INVs) or born globals, whose business focus is on quick internationalization (Hennart, 2014). Theory of early internationalization states that firms can internationalize early in their lifecycle (Oviatt & McDougall, 1994), even at inception or within three years of inception (Knight & Cavusgil, 2004). Consequently, a large body of literature in IB and IE addresses the following issues: (a) the entrepreneurial performance outcomes of internationalization and its associated antecedents, moderators, and mediators (Baier-Fuentes et al., 2019; Sedzinauskiene et al., 2019; Tabares et al., 2021); and (b) the decision-making perspectives and outcomes of entrepreneurs/managers (Dimitratos et al., 2011; Elbanna et al., 2020; Perks & Hughes, 2008).

Given that international performance is a measure for evaluating the entrepreneurial success of internationalization, a considerable amount of research exists on the antecedents of such performance (Chen et al., 2016; Schwens et al., 2018). Chen et al.’s (2016) literature review on export performance between 2006 and 2014 revealed some major areas of progress for a wide range of determinants in this field but noted that studies lack depth because they mostly investigate the direct links between the antecedents and export performance, ignoring the interactive and indirect relationships between them. Based on a review of recent literature, entrepreneurial/managerial experience in its various forms and entrepreneurs’ ability to recognize international business opportunities are two key factors behind entrepreneurial internationalization. The role of prior experience, which has been identified as a very crucial factor in the early internationalization of firms, has not been studied in depth in either IB or IE literature. Furthermore, a direct link between prior experience and international performance has not provided any conclusive outcomes (Jiang et al., 2020). Additionally, opportunity

recognition (OR), as one of the most important entrepreneurial outcomes, has received much attention in the mainstream entrepreneurship and IE literature. While network-driven (Nowiński & Rialp, 2016) and network-assisted recognition of international opportunities might explain early and rapid internationalization (Mort & Weerawardena, 2006), an understanding of how networks affect an internationalizing firm's international OR from a capability perspective is limited (Jones et al., 2011). Because micro-level origins may play an important role in the evolution of capabilities (Felin & Foss, 2005), research on network capabilities requires microfoundations (Gavetti, 2005). An entrepreneur's prior experience may serve as an essential microfoundation for network capabilities in identifying international opportunities (Lafuente et al., 2019).

A second body of literature concerning decision making in internationalization has become important in the IB literature as this issue was not sufficiently addressed in prior research. Since internationalization decisions are complex and heavily constrained by uncertainty (Niittymies & Pajunen, 2020), it is crucial to understand the decision-making aspects of internationalization which will propel performance (Yang & Gabrielsson, 2017).

Entry mode choice is one of a firm's key strategic decisions in internationalization (Ellis & Pecotich, 2001) and has received considerable research attention (Xu et al., 2020). However, the main theories used in the field (e.g., the Uppsala model, the Eclectic Paradigm, Transaction Cost Economics, and Institutional Theory) concern entry mode decisions at the firm level, largely neglecting the role of the key decision maker(s) and the managerial decision-making perspective (Aharoni et al., 2011; Laufs & Schwens, 2014). When studying entry mode decision making, we need to study the key actors (i.e., firms' top management) and their dispositions (Hambrick, 2007; Zahra et al., 2005), as decision makers' reasoning and personal characteristics drive organizational strategy (Francioni et al., 2015; Mellahi & Collings, 2010). In theory, there are strong rational assumptions related to entry mode decisions (Xu et al., 2020), whereas in real life these are 'boundedly rational' decisions (Simon, 1991) due to individuals' cognitive constraints, limited time for decision making, market information available, and the imperfections of available decision-making models (Papadopoulos & Martín, 2011). Although many researchers continue to use rationality assumptions in their models, bounded rationality, cognitive limitations, biases, and other behavioral findings suggest that models with entry mode choices made by rational decision-makers are no longer appropriate (Aharoni et al., 2011). Scholars highlight that research on managerial cognition and decision-making, especially complex decision making in rich empirical settings, is a domain where IB research can contribute to the understanding of why owner-managers choose one entry mode, form, or location over another (Maitland & Sammartino, 2015). Researchers report that managerial cognition is rationally bounded and influenced by managers' experiences (March & Simon, 1958; Wood & Bandura, 1989). Thus, managers are prone to decision heuristics and biases. Therefore, if we want to understand the entry mode decisions of firms, we should include the heuristics and

biases of owner-managers (Laufs & Schwens, 2014). However, not only one specific decision (i.e., entry mode) but also other internationalization decisions, such as market selection, timing and speed of market entry as well as market exit and re-entry, require a cognitive approach. As scholars have investigated a limited portion of this complex decision process/stages and in a scattered way (Zahoor & Al-Tabbaa, 2021), we do not have a clear understanding of this decision process, specifically: how an individual owner-manager's disposition affects initial and post-entry internationalization decisions.

Two underexplored areas of internationalization research are the treatment of (individual owner-manager's) prior experience and the inclusion of the cognitive perspective in analyses. The owners or top managers of a firm are its strategic leaders, and they determine the firms' strategic directions based on their cognitive orientations and experience. As they influence the firm's performance (Dimitratos et al., 2011), knowing the link between the two is crucial. To address this research gap, this dissertation studies key cognition-based antecedents (including prior experience) to entrepreneurial internationalization outcomes (including performance and OR) and internationalization decisions (i.e., market entry and entry mode). Entrepreneurial internationalization performance research includes both individual and organizational level antecedents; this dissertation focuses on one individual level variable – the global vision of the entrepreneur – and one organizational level variable – market orientation. The global mindset and vision of entrepreneurs has been identified as the most influencing factor for internationalization success (Kyvik, 2018), and market orientation is considered the single most important strategic orientation for internationalizing firms. This is because all other strategic orientations spring from market orientation, and no business can sustain itself without customer/market focus (Madhani, 2017). In addition, this dissertation approaches entry mode choice from a cognitive bias perspective prior to proposing a cognition-based umbrella theory.

In short, the evolution of this dissertation could be characterized as a graduation from a traditional theoretic perspective – a 'narrow vision' (Sullivan, 1998) of prior experience and performance-based research – to a broader cognitive microfoundations perspective of decision-making given that human cognition is a fundamental construct underlying decision-making and behavior (Niittymies & Pajunen, 2020).

## **1.1 Purpose of the dissertation**

The aim of this dissertation is to advance knowledge on the antecedents of entrepreneurial internationalization outcomes as well as to investigate internationalization decisions from an entrepreneurial/managerial cognitive perspective. This research is motivated by a cognitive approach and decision-making perspective in internationalization because entrepreneurial/managerial cognition plays a fundamental role in the internationalization of firms (Niittymies & Pajunen, 2020). However, to date, 'standard internationalization models do not explicitly incorporate managerial cognition' despite IB scholars

‘repeatedly highlighted the need to incorporate managers’ decision styles, biases and overall cognitive processes into theoretical models of form, mode and location choice’ (Maitland & Sammartino, 2015, p. 733-734). Specifically:

**The purpose of this dissertation is to study how prior experience influences (a) entrepreneurial outcomes of internationalization (i.e., OR and performance outcomes) and (b) internationalization decision making (i.e., entry mode choice, market selection, and initial and post-entry internationalization).**

With experience being the central focus of this dissertation, we can divide its overall purpose into two major themes: the **first** theme focuses on the entrepreneurial outcomes of internationalization (i.e., OR and performance outcomes) originating from prior experience. This theme is circled around the relationship between prior experience, global vision, network capability, market orientation and international performance. Thus, this theme represents the traditional and narrow theoretic perspective in IB. On the other hand, the **second** theme captures the broader perspective- the role of prior experience as a microfoundation of internationalization decision making (i.e., entry mode choice, market selection, and initial and post-entry internationalization) by provoking managerial heuristics and biases in such decision making. Individuals’ prior experience constitutes the microfoundations of firms’ dynamic capability as well as of decision heuristics and biases. Such entrepreneur/managerial level investigation will bring ‘individuals back in’ (Felin et al., 2015, p. 578) the IB literature and contribute to the under-theorized individual level experience research in IE (Jones & Casulli, 2014). This will provide insights into how individual owner-managers ‘make sense of foreign environments, and whether and how their perceptions and analyses affect internationalization decisions’ (Maitland & Sammartino, 2015, p. 733).

### 1.1.1 Prior experience and entrepreneurial outcomes of internationalization

IE scholars have been quite enthusiastic about investigating the role of entrepreneurs’ experience in creating and developing international firms (Rasmussen & Madsen, 2002). Previous IE studies primarily focused on the prior international experience of entrepreneurs (Oura et al. 2016) and showed its link to firms’ early internationalization (Reuber & Fischer, 1997). EIFs have been classified in many ways, including born global firms, INVs, and global start-ups (Rialp et al., 2005), mainly characterized by their international focus at inception or within three to six years of inception (Knight & Cavusgil, 1996; Oviatt & McDougall, 1994). The founders of such firms gained international experience prior to the internationalization of their own firms (Reuber & Fischer, 2002; Sharma & Blomstermo, 2003). Research showed that this prior international work experience made it possible for them to enter international markets early and rapidly (Cannone & Ughetto, 2014; Jones, 2001; Reuber & Fischer, 1997). Although prior international experience is recognized as one of the most influential determinants of early internationalization, other forms of experience have been omitted

from IE research. This focus on a specific type of experience can only provide a limited perspective when researching an individual's prior experience in internationalization, thus necessitating the inclusion of other types of experiences, such as prior entrepreneurial, industry, managerial and technical experience. Also, previous research primarily investigated the direct link between prior experience and internationalization performance, overlooking the mechanism of how prior experience influences internationalization performance. Additionally, researchers in IE also emphasized the entrepreneurs' global vision (i.e., the cognitive capital of the entrepreneur and a subset of the global mindset) and stressed that global vision is the factor that can be used to differentiate EIFs from traditional internationalizing firms (Harveston et al., 2000; Moen & Servais, 2002; Oviatt & McDougall, 1994). In doing so, researchers have missed the potential relationship between entrepreneur's prior experience (which may be broader than just international experience or another single form of experience) and global vision, and how the combination of the two leads to greater internationalization performance benefits. Hence, the first research question for this dissertation is:

**RQ1.** What role does prior experience play in the development of the global vision of entrepreneurs to influence international performance?

Increasing globalization has compelled internationalizing firms to be more market-oriented because consumers all over the world now have more options. Market orientation is more important than any other type of entrepreneurial strategic orientation because other orientations are more likely to originate from market orientation (Cadogan & Diamantopoulos, 1995) as a result of customers' changing needs, demands, preferences and priorities. International performance literature has long focused on export market orientation, defined as a firm's capability, as a key determinant of export performance (Chen et al., 2016; Sousa et al., 2008). Likewise, most studies in the export market orientation literature focus on its implications on performance (Faroque, 2015; He et al., 2018; Yayla et al., 2018), leaving its important antecedents unexplored (Chi & Sun, 2013). Investigating the antecedents to export market orientation will provide owner-managers greater insight into how a market-oriented culture within their firms could be developed and deployed (Cadogan et al., 1999). While some scholars argued that entrepreneurial leadership styles could be a critical antecedent to market orientation, research on this topic provided conflicting results and arguments (Harris & Ogbonna, 2001). As an alternative, an entrepreneur's prior experience and experience-based capabilities (in terms of more general as well as specific to international business setting) could be an appropriate and critical antecedent to the market-oriented capability and cultures of firms. Because top management forms a firm's key values and orientation (Webster, 1988), internationalization outcomes, both strategic and performance, could be regarded as the reflections of the firm's powerful actors (Hambrick & Mason, 1984). The role of the entrepreneur is intensified even more when they decide to enter a foreign market due to the complexity and uncertainty of this decision. Due to their prior venturing, managerial, technical and industry experience, entrepreneurs contribute to a

market-oriented culture in the organization. Consequently, their experience and capabilities significantly impact the market orientation of a firm (Day, 1994; Narver & Slater, 1990). Therefore, the second research question is:

**RQ2.** What role does prior experience play in the development of export market-oriented behavior to achieve international performance?

Early internationalization theories posit that networks act as essential drivers of firms' internationalization (Johanson & Mattsson, 1988; Johanson & Vahlne, 2009). Later on, new theories of internationalization, mostly in the field of IE, developed a more fine-grained definition of internationalization from a network perspective. They posit that the recognition of internationalization opportunities, the first step or outcome of the entrepreneurial internationalization process, is network-driven (Nowiński & Rialp, 2016) and network-assisted (Mort & Weerawardena, 2006). Another stream of research shows a direct link between OR and entrepreneurs' experience (Evers & O'Gorman, 2011). While it is evident that entrepreneurs possess a set of idiosyncratic knowledge, experience and skills (Morris et al., 2012), developed through his or her prior industry, employment, technical or managerial experiences gained before starting the venture, all of which help bring pre-existing networks to firms. As relationships develop historically (Nelson & Winter, 1982), founders' prior experience serves as the microfoundations upon which firms can capitalize to further develop their networks (Frels et al., 2003; Nelson & Winter, 1982). However, the sheer existence of a network is inadequate for accessing network resources to identify opportunities. Firms must activate the network – whether it be existing or evolving – by its capability. A network is defined by its capacity to bring contributions from network partners (Gilmore & Carson, 1999). Our knowledge of how network capability affects an internationalizing firm's entrepreneurial outcomes – especially those related to international OR – is limited (Jones et al., 2011). While some recent studies have since highlighted how network-related organizational capabilities impact firms' internationalization (e.g., Weerawardena et al., 2007), 'research on capabilities needs microfoundations' (Gavetti, 2005, p. 599) because micro-level origins may play an important role in the evolution of organizational capabilities (Felin & Foss, 2005). An entrepreneur's prior experience may serve as an essential microfoundation for network capabilities in identifying international opportunities (Lafuente et al., 2019). The individual is the nucleus of the microfoundation, and the founder-entrepreneur is the nucleus of an organization. The founder of a firm brings human capital or resources in the form of his/her own life experiences (Cooper et al., 1994), and entrepreneurial ventures rely heavily upon these resources (Brush et al., 2001). Network capability echoes the knowledge and experience of firms within a particular social context (Grant, 1996; Kogut, 2000). Any kind of prior experience can serve as a basis upon which firms may develop other kinds of relationships (Frels et al., 2003; Nelson & Winter, 1982). Although existing network relationships may help an internationalizing firm identify new international opportunities, they may also restrict strategic options because opportunities can be limited by the existing networks' boundaries (Eberhard & Craig, 2013) or firms

can become prone to network rigidity (Mort & Weerawardena, 2006). An EIF can overcome network rigidity by broadening its network horizon, which may allow it to identify new international opportunities (Companys & McMullen, 2007). Thus, the next research question is:

**RQ3.** What is the impact of entrepreneurial microfoundations (i.e., prior experience) of network capability on international OR?

### 1.1.2 Prior experience and internationalization decision making: an entrepreneurial/managerial cognitive perspective

Prior experience, represented as owner-managers' personal disposition, has been an area of interest to researchers in entrepreneurship and IE since the 1970s. In an article published in the *Academy of Management Journal*, Taylor (1975) showed that age was found to influence performance more than did prior decision-making experience, whereas Stuart and Abetti (1990) later found just the opposite. The reason for such conflicting findings could be attributed to the contextually limited theories used in these studies (Forbes, 2005). Experience measured in the number of years provides a limited explanation. The quality of experience (the valence: positive, negative) is the defining factor missing from the literature and can explain such contradictory findings. Based on prior (positive or negative) experience, an owner-manager is bound by his/her disposition and, thereby, develops decision making shortcuts/rules (i.e., heuristics) which make him/her prone to certain cognitive biases when deciding on a course of action (Busenitz & Barney, 1997). Despite its potential, there are a lack of studies on the types of heuristics and heuristically-based decisions in the IB literature (Guercini & Milanese, 2020).

In theory, there are strong rational assumptions related to entry mode decisions (Xu et al., 2020), whereas, in real life, we should consider those as 'boundedly rational' decisions (Simon, 1991) due to individuals' cognitive constraints, their limited time for decision making, the available market information they have, and the imperfections of available decision-making models (Papadopoulos & Martín, 2011). Processes related to foreign market entry are idiosyncratic, based on intuition or heuristics rather than rational approaches often described in the IB literature (Aharoni et al., 2011; Elia et al., 2019). Prior research findings of replicated subsequent entry mode choices support this notion (Chan & Makino, 2007; Vermeulen & Barkema, 2001). Maitland and Sammartino (2015) highlight that research on managerial cognition and decision-making is a domain where IB research can focus on complex decision processes in rich empirical settings. Therefore, research in IB 'must consider the biases and dispositions' (Hambrick, 2007, p. 334) of owner-managers if scholars want to understand the entry mode decisions of firms (Laufs & Schwens, 2014).

Given that entry mode choice seems to be replicative/repetitive decision by nature (Lu 2002), it is likely that owner-managers will be subject to a specific and common type of



individual cognitive bias, namely status quo bias (SQB). SQB is defined as the tendency for people to prefer things to stay the same by doing nothing or by sticking with a previously made decision (Samuelson & Zeckhauser, 1988). It would be worthwhile to investigate under what conditions managers tend to follow the prior entry mode (i.e., when they are prone to SQB) and when they deviate from it. Thus, the fourth research question is:

**RQ4.** What causes firms to replicate (or deviate from) past entry mode choices?

The early internationalization perspective in IE has largely focused on the initial internationalization activities and processes of firms and has subsequently overlooked what happens to these firms after this initial phase (Gabrielsson et al., 2008) with some recent exceptions (e.g., Bunz et al., 2017; Khan & Lew, 2018; Prashantham & Young, 2011; Vissak et al., 2020). Additionally, the theoretical perspective of cognitive heuristics and biases is also missing. The use of such decision heuristics and the emergence of biases is more prevalent in the internationalization of EIFs because of the speed of decision making (Shepherd et al., 2015) and the rapid pace of entries by these firms. Owner-managers of these firms use heuristics more frequently to increase the speed of decision making and the effectiveness of addressing emerging challenges and opportunities in international markets (Busenitz & Barney, 1997). Heuristics and biases originate from experience; owner-managers' prior experience being the key variable in early internationalization, it is imperative to know how managers' different decision heuristics and biases originate from their experience and impact initial internationalization and decisions thereafter. The key question of whether any differences or commonalities prevail in the emergence and use of heuristics and biases in the early and the later phases of internationalization exists. Therefore, the fifth research question is:

**RQ5.** How do heuristics and biases originating from prior experience influence the internationalization decisions of EIFs in the early and later stages?

In a nutshell, all research questions revolve around entrepreneurs'/managers' prior experience, thus supporting the microfoundation perspective. First two research questions aim to investigate the relationship between prior experience and international performance through the mediation of global vision and export market orientation, respectively. Then the third research question aims to investigate the link between prior experience and international OR, through the mediation of networking capability. The fourth research question involves internationalization decision making, specifically entry mode choice and aims to investigate how prior experience works as a microfoundation of a decision bias- status quo. Finally, the fifth research question is broader in its focus and aims to theorize how prior experience works as a microfoundation of heuristics and biases in internationalization decision making (i.e., entry mode choice, market selection, and initial and post-entry internationalization). Figure 1 shows the overall research framework and the relationships each of the research questions propose.

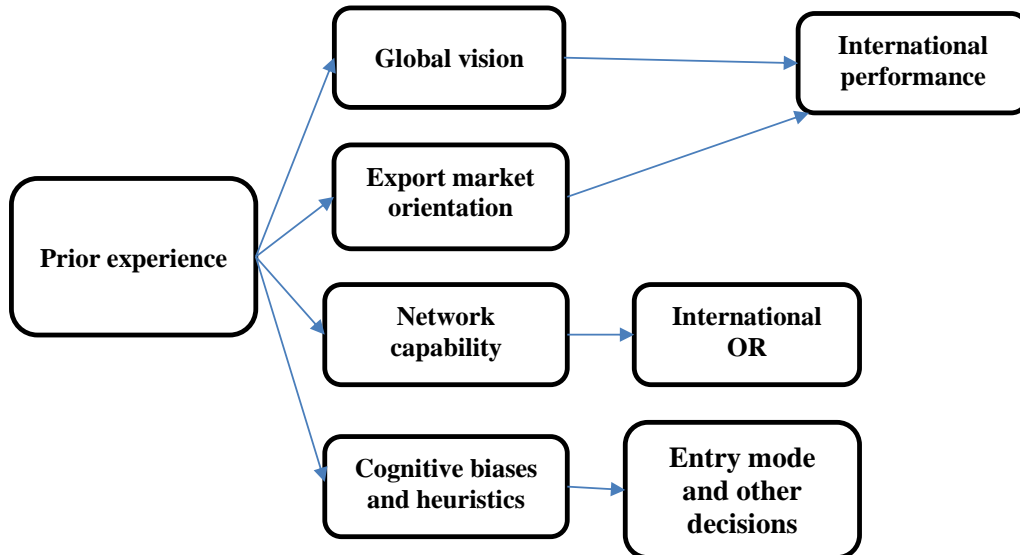


Figure 1. Overall research framework

Table 1 outlines the specific research questions/purpose for every study followed by method, objective and publication numbers.

Table 1. Research questions, objectives and list of publications

	Publication I	Publication II	Publication III	Publication IV	Publication V
<b>Title</b>	Prior experience and export performance: The missing link of global vision	Revisiting entrepreneurial capabilities and export market orientation: a multi-scale investigation in an emerging economy	Microfoundations of network exploration and exploitation capabilities in international opportunity recognition	Entry mode decision-making and status quo bias	The power and perils of cognition: Longitudinal and adaptive perspective of heuristics and biases in early and post-entry (de-/re-) internationalization
<b>Publication outlet</b>	International Review of Entrepreneurship	International Journal of Emerging Markets	International Business Review	Academy of International Business	Vaasa Conference on International Business, 2021 Online Conference

				2021 Online Conference	
<b>Research questions</b>	What role does prior experience play in the development of cognitive capital (i.e., global vision) of entrepreneurs to influence international performance?	What role does prior experience play in the development of export market-oriented behavior to achieve international performance?	What is the impact of entrepreneurial microfoundations (i.e., prior experience) of network capability on international OR?	What causes firms to replicate (or deviate from) past entry mode choices?	How do heuristics and biases originating from prior experience influence the internationalization decisions of EIFs in the early and later stages?
<b>Methods</b>	Quantitative research, survey	Quantitative research, survey	Quantitative research, survey	Quantitative research, experimental survey	Conceptual study

## 1.2 Definition of key concepts

The key concepts used in the dissertation are defined below.

**Entrepreneurial internationalization.** Internationalization refers to the geographical expansion of business activities across the borders of the countries involving same and/or different geographic locations (Hitt et al., 2006). According to the process theory of internationalization (Johanson & Vahlne, 1977), firms usually start their operations in home countries and then gradually expand to geographically and culturally close countries. As firms accumulate practical knowledge by operating in these countries, they then gradually expand to more distant countries and markets. By contrast, a competing model of internationalization, known as entrepreneurial internationalization, emerged in the late 1990s, which is at the core of IE research (Jones et al., 2011). Entrepreneurial internationalization has been defined as ‘a process characterized by innovative, proactive and risk-seeking activities across national borders’ (Nummela et al., 2020, p. 2). From a broader perspective, any new entry to a market is ‘the essential act of entrepreneurship’ (Lumpkin & Dess, 1996, p. 136) and exporting itself is an entrepreneurial act (Ibeh & Young, 2001). Entrepreneurial internationalization as an entrepreneurial act combines the exploration and exploitation of new market opportunities with calculated risk and an innovative posture (Alayo et al., 2019). Other theories of internationalization have also been proposed, such as the commitment reduction model or de-internationalization (Benito & Welch, 1997; Fletcher, 2001) and mode increase, for instance, moving from exporting to a wholly owned subsidiary (WOS) (Calof & Beamish, 1995).

**EIFs and INVs.** Entrepreneurial internationalization being at the core of IE essentially investigates EIFs, such as INVs or born globals, whose business focus is on quick internationalization (Hennart, 2014). Theory of early internationalization states that firms can internationalize early in their lifecycle (Oviatt & McDougall, 1994), even at inception or within three years of inception (Knight & Cavusgil, 2004). The opening up of world markets as well as the advancement of transportation and telecommunication technologies made it possible for firms worldwide to internationalize early and rapidly (Rasmussen & Madsen, 2002). An INV has been defined as a ‘business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries’ (Oviatt & McDougall, 1994, p. 49). On the other hand, born global firms are defined as firms that ‘from or near founding, obtain a substantial portion of total revenue from sales in international markets (Knight & Cavusgil, 2005, p. 15). Based on numerous definitions of born globals, a stylized view of such firms could be derived: these firms start export activities within 2-10 years and their export intensity ranges between 20-80% (Ferguson et al., 2021). Despite wide interest and decades of research, a coherent definition of a born global or INV as well as the empirical operationalization is still lacking (Madsen, 2013). Svensson and Payan (2009), based on a comparative literature review on both types of firms, suggest the term ‘early internationalising firms’ as an umbrella concept to be more descriptive of the actual phenomena and more beneficial and appropriate than the traditional terminologies such as INVs or born globals. Reuber et al. (2017) noted that the increasing focus on the categorization of such firms has constrained theory development in entrepreneurial internationalization and new avenues of research will only emerge if scholars look beyond categorization of EIFs.

**Microfoundations.** Microfoundation is ‘the underlying individual-level and group actions that shape strategy, organization, and, more broadly, the development of dynamic capabilities’ (Eisenhardt et al., 2010, p. 1263). Microfoundations perspective has been embraced in many disciplines, including strategy, organization, and management (Felin et al., 2012). Because different disciplines have their individual and differential focus, scholars in these disciplines have thus theorized or investigated microfoundations at different levels, e.g., strategy, organization and individual (Barney & Felin, 2013). In entrepreneurial internationalization, individuals, especially owner-managers, are considered the core microfoundations of the internationalization process (Chittoor et al., 2019; Coviello et al., 2017). Research on both dynamic managerial capabilities (Helfat & Martin, 2015) and the importance of upper echelons (Carpenter et al., 2004; Hambrick & Mason, 1984) suggests that an entrepreneur influences the development of a firm’s dynamic capabilities (Bendig et al., 2018).

**Cognition.** Entrepreneurial cognition involves entrepreneurs’ reasoning and thought processes (Gaglio, 2004). It is defined as ‘the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation and venture creation and growth’ (Mitchell et al., 2002, p. 97). The cognitive view offers a greater

promise for the understanding of the psychological facets of entrepreneurial venturing (Chaston & Sadler-Smith, 2012). IE also embraces the cognitive perspective in a limited scope, recognizing that this can be applied to both EIFs and established ones. A cognitive theoretical lens in IE provides insights into how entrepreneurs perceive and create opportunities across national borders (Zahra et al., 2005). Research on MNEs also recognizes the cognition of managers as an important research topic and theoretical perspective (Calori et al., 1994). Managers differ in their decision-making approaches, which stem from differences in their mental models of accumulated knowledge gained from prior experience through career and lifetime learning (Maitland & Sammartino, 2015).

**Heuristics and biases.** Cognitive heuristics and biases are described as cognitive tools of human intuition (Kahneman et al., 1982). Heuristics may act as mental shortcuts that help individuals to make decisions in a shorter period of time and, at the same time, may induce entrepreneurs to some types of biases (Cossette, 2015). Research on behavioral decision-making show that individuals' cognitive capacity is limited, which restrains their comprehensive searching for and accurate interpretation of information (Buckley et al., 2007; Cooper et al., 1995; March & Simon, 1958). To overcome such limitations, individuals' resort to simplifying strategies or rules for decision making or heuristics, which may lead to cognitive biases (Schwenk, 1988). Entrepreneurs and managers are more prone to such biases (Arend et al., 2016; Busenitz & Barney, 1997) because they unintentionally simplify their information processing to diminish the stress and ambiguity associated with the decision to venture (Duhaime & Schwenk, 1985; Hansen & Allen, 1992) or to internationalize (Autio, 2017; Ricard et al., 2016).

**Internationalization decisions.** Internationalization decisions include 'decisions of where, when, and how to commence internationalization' (Williams & Grégoire, 2015, p. 253). More specifically, internationalization decisions include two very fundamental decisions, i.e., market selection and entry mode choice (Kraus et al., 2015). The theory of early internationalization has also necessitated inclusion of timing and speed of entry as important decisions for internationalization. Also, de-internationalization, exit, and re-entry have been recently identified as important decisions for internationalizing firms (Sui et al., 2019; Vissak & Francioni, 2013).

### 1.3 Overview of this dissertation

This article-based dissertation consists of two main parts. Part I entails an overview of the entire research work, and part II showcases the article publications. Figure 2 visualizes the underlying structure of this dissertation from part I to part II.

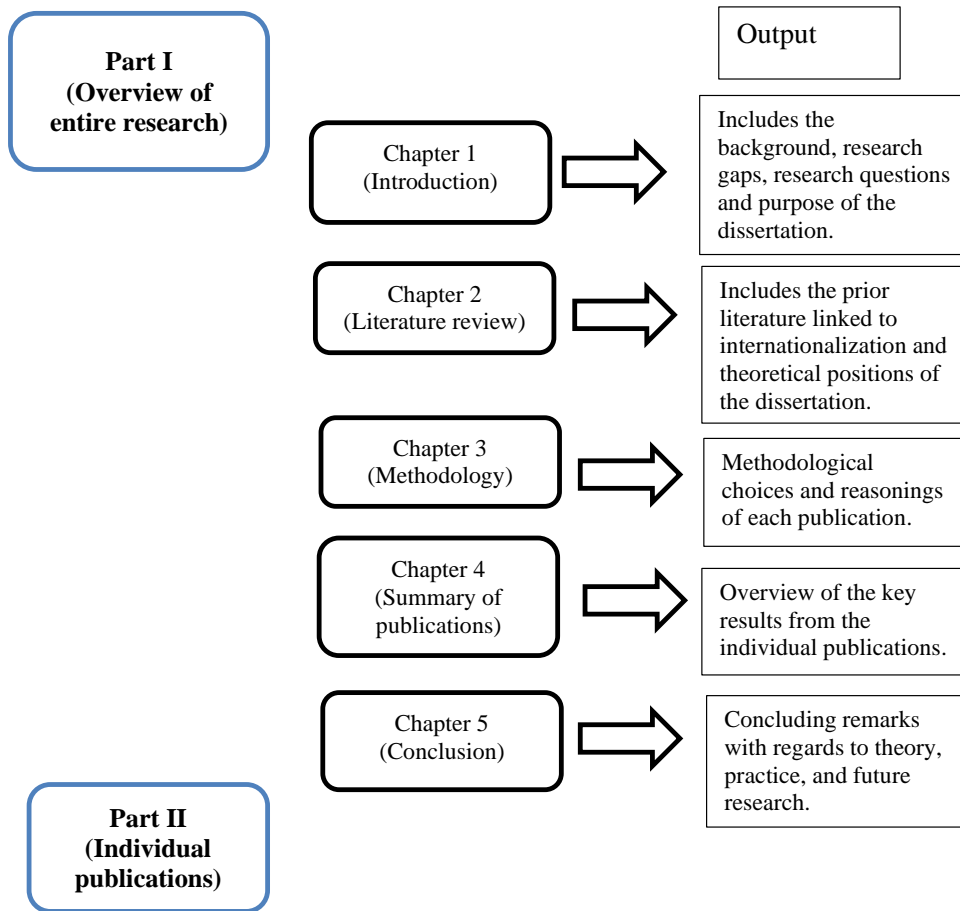


Figure 2. Outline of the dissertation



## 2 Theoretical background

This chapter focuses on the key areas of literature facilitating this dissertation. The theoretical review has two main subsections. The first part focuses on the overview of the literature on the international performance, international OR, and internationalization decisions. The second part presents an overview of the Human Capital (HC) theory, entrepreneurial capability, microfoundations perspective, network capability and cognitive theory, including heuristics and biases.

### 2.1 International performance

The rapid growth of international business has necessitated and facilitated many firms' survival and growth through exporting. Exporting brings foreign currencies, which is also a point of interest for governments. Hence, a robust understanding of exporting has become an area of interest for managers, policy makers, and researchers (Leonidou et al., 2007; Sousa et al., 2008). Over the past 70 years, a large body of literature has documented firms' export performance and its determinants. Export performance has been defined as the outcome(s) of a firm's activities in export markets (Katsikeas et al., 2000).

In defining the outcomes of exporting, a valid and reliable measurement of export performance is vital. However, there is a lack of consensus on what constitutes the most important and appropriate measures of export performance (Al-Khalifa & Morgan, 1995), resulting in fragmented and conflicting perspectives among researchers (Aaby & Slater, 1989; Cavusgil & Zou, 1994). In a review of the export performance measurement literature, Sousa (2004) categorized performance indicators into the objective (e.g., export intensity, export sales volume, and export market share) and the subjective (e.g., perceived export success and satisfaction with export sales). Therefore, export performance is a multifaceted concept which requires multiple indicators for reliable assessment (Sousa, 2004), which can afford a complete view of the nature of performance (Hult et al., 2008). Chen et al. (2016), in one of the latest reviews, found that while a wide range of determinants are explored in these studies, they lack depth because most studies look at a direct relationship between antecedents and performance outcomes and ignore the more complex, nested and indirect relationships. Studies that involve the investigation of complex inter-relationships (i.e., indirect effects) among the different variables of interest and international performance may bring deeper insights (Leonidou et al., 2002) through a greater empirical and theoretical understanding of international performance (Gencturk & Kotabe, 2001; Walters & Samiee, 1990).



## 2.2 International OR

Opportunity is the core defining concept in mainstream entrepreneurship literature—without opportunity, there is no entrepreneurship (Short et al., 2010). Since opportunities are not limited to home markets and exist on a global scale (Zahra & Dess, 2001; Zahra & Garvis, 2000), IE researchers have also investigated how international opportunities are recognized, evaluated, further developed and exploited (Zahra et al., 2005). In fact, IE has been defined as ‘the discovery, enactment, evaluation, and exploitation of opportunities across national borders’ (Oviatt & McDougall, 2005, p. 540). More generally, opportunity has been defined as a set of ideas, beliefs, and actions entrepreneurs use to create a new product, improve or imitate an existing product with profit potential, or enter a new market (Schumpeter, 1934; Singh, 2001; Venkataraman, 1997). Additionally, international opportunity refers to the potential of the exchange of goods and services in selected markets, seen by the owner-managers (Ellis, 2011). This process is repeated every time the company enters new markets. By extension, OR is defined as the ability through which entrepreneurs/managers recognize a good business idea and convert it into a business concept to add or create value and generate profits (Lumpkin & Lichtenstein, 2005). However, some scholars stress that IE has only focused on this topic in a limited capacity, especially when compared with the substantial research on opportunity in the mainstream entrepreneurship literature (Kraus et al., 2017). Hence, there is great potential for opportunity research in IE.

## 2.3 Internationalization decisions

Major internationalization decisions include market selection, choice of entry choice and the timing and speed of entry.

**Entry mode choice.** An entry mode, also referred to as foreign operation mode is ‘an institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management or other resources into a foreign country’ (Root, 1977, p. 5). Companies use such arrangements to conduct international business activities (Benito et al., 2009). Different criteria have been used to categorize entry modes, either based on commitment, risk, control (Anderson & Gatignon, 1986) or equity versus non-equity (e.g., Schwens et al., 2011). In line with internationalization process theory, firms may first enter an overseas market in a low resource commitment mode, like exports. As the firm gains more knowledge and experience in the market(s), it becomes more willing to assume a higher commitment mode (Pan & Tse, 2000), such as sales subsidiaries or joint ventures. Non-equity modes, such as indirect and direct exporting, franchising and licensing, do not require any investment in the host markets. Through equity entry modes, like joint ventures and wholly owned subsidiaries (WOS), firms can get closer to their customers (Hollender et al., 2017).

**Market selection.** Market selection involves the decisions firms make to choose the markets to expand its operations, either defined by geographic location or other factors (Papadopoulos & Martín, 2011). There are two traditional approaches for market selection: the systematic or unsystematic approach (Papadopolous & Denis, 1988). Firms taking a systematic approach use a formal decision process with the aid of statistical methods to ascertain the market potential of each target. The unsystematic approach is informal in nature and applies some simple rules of thumb, such as selecting foreign markets with the shortest physical distances. The systematic approach resembles the properties of a rational decision-making process (Bazerman, 1986). On the other hand, the nonsystematic approaches to market selection resembles a boundedly rational decision process (Andersen & Buvik, 2002).

**Speed of internationalization.** As a time-based measure, the speed of internationalization captures the speed at which a firm or venture enters a specific target market (Jones & Coviello, 2005). The speed of internationalization has become central to the IE literature and often resembles the international entrepreneurial behavior. In IE, this is often synonymous with the rapid entry into foreign markets (Weerawardena et al. 2007) and overlaps with the concepts of INVs and born globals (Zahoor & Al-Tabbaa, 2021). However, recently, scholars have given attention to this notion and categorized the speed of internationalization into initial and post-entry. Initial entry speed has been defined as the time lag between the inception of a firm and its first international entry whereas post-entry speed is defined as the speed of subsequent international market expansion (Hsieh et al., 2019; Morgan-Thomas & Jones, 2009). Traditional internationalization theories (e.g., the Uppsala internationalization process theory) do not include the speed of internationalization aspect because they assume that internationalization takes place at a slow, gradual pace moving from domestic markets to neighboring countries. By contrast, research in IE argues that internationalization does not always take such incremental steps and can occur rapidly. Although researchers first documented the phenomenon of rapid internationalization among high-tech firms in developed countries, the phenomenon is not limited to these industries and developed countries (Faroque & Takahashi, 2015; Oviatt & McDougall, 1994; Oviatt & McDougall, 2005).

## 2.4 Theoretical perspectives

The articles that constitute this dissertation are based on specific theories that are used to address the research questions. Publication I uses the human capital theory to link prior experience with international performance; Publication II relies on the entrepreneurial capabilities theory, which helps explain the relationship between experience-based capabilities and international performance; Publication III takes both a microfoundations and capabilities viewpoint to understand the relationship between prior experience, network capabilities and international OR; Publication IV builds on cognitive theory to investigate why managers choose prior entry mode as part of internationalization decisions; finally, Publication V also takes a cognitive perspective to offer a conceptual

framework based on cognitive heuristics and biases in decision making for internationalization. Entrepreneurial internationalization performance (including international performance and OR) and internationalization decisions are multifaceted and complex phenomena, therefore, taking a metatheoretic approach to address the research questions put forward in this dissertation. Different theoretical perspectives used in this dissertation are introduced below.

#### 2.4.1 Human capital (HC) theory

Human capital (HC) theory has become an alternative approach to defining an entrepreneur's personality and skills in both entrepreneurship and IE (Terjesen et al., 2016). HC theory holds that investing in people results in significant economic returns for both individuals and societies (Sweetland, 1996). Furthermore, HC refers to the skills, knowledge and abilities that individuals gain by investing in formal education, internships and job-related activities (Gimeno et al., 1997). In other words, HC is the change in individuals brought on by new skills and capabilities that make them able to accomplish a task in innovative or more efficient ways (Coleman, 1988).

Scholars have categorized HC as general and specific (Becker, 1994). General HC refers to general formal education and practical experience, whereas specific HC denotes education and experience which has limited scope and application (Becker, 1975). The entrepreneurship literature discusses entrepreneurs' prior entrepreneurial, industry, managerial, and technical experience as necessary HC (Bates, 1990). While entrepreneurship research has a long tradition of HC research, findings are not without contradictions (Unger et al., 2011). Despite a general positive view that all experiences are good, scholars disagree on the positive impacts of various experience types (Kennedy & Drennan, 2001; Sandberg & Hofer, 1987). Consequently, researchers reported conflicting findings with respect to the impact of managerial experience on entrepreneurial venturing (Davidsson & Honig, 2003) and performance (Jo & Lee, 1996). Other researchers suggested an indirect link between the two (Kennedy & Drennan, 2001; Perkins & Murmann, 2018).

Similarly, IE scholars have classified international entrepreneurs' HC as objective and subjective (Evers, 2011; Hutchinson et al., 2006). Objective HC includes an international entrepreneur's prior international, entrepreneurial, industry, technical, and commercial experience (McDougall et al., 2003). On the other hand, subjective HC refers to an international entrepreneur's proactive opportunity-seeking behavior, global vision, risk-taking and international orientation (Evers, 2011).

### 2.4.2 Entrepreneurial capability

Several categories of capital, including human, social, physical, financial, and organizational, have been identified in the literature. These dimensions do not sufficiently reflect the capabilities of entrepreneurs. Hence, the concept of entrepreneurial capability emerged. It has been alternatively termed as entrepreneurial capital—a set of complementary human capacities or heterogeneous resources (Erikson, 2002).

The resource-based view (RBV), in a broader sense, refers to resources of all types, including assets, knowledge and capabilities that act as the potential sources of competitive advantage (Barney, 1991; Lavie, 2006). As an extension of the RBV, entrepreneurial capability suggests that capabilities which are valuable, rare, difficult to duplicate and with few alternatives can provide a competitive advantage (Barney, 1991). Entrepreneurial capabilities can be classified into three different categories: inside-out, outside-in and spanning (Day, 1994). Inside-out capabilities are those that assist entrepreneurs to conduct essential activities within the firm, for example, product delivery, integrated logistics, cost control, and human resource management. Entrepreneur's previous work, industry, technical, start-up and international experiences are these types of capabilities. By contrast, an entrepreneur's outside-in capabilities are their market sensing capabilities (Day, 1994) that connect his/her inside-out capabilities to the firm's outside environment, permitting the entrepreneur to forecast environmental changes with regard to customers' changing demands, emerging competition, value chain activities and technological changes. These include networking capability, an entrepreneur's proactive attitude and his/her global vision and mindset (Day, 1994). Finally, spanning capabilities (e.g., product innovation and new product development) are those entrepreneurial capabilities that integrate inside-out and outside-in capabilities (Lisboa et al., 2011).

Despite the fact that entrepreneurial capability is a well-established concept in the entrepreneurship and IE literature, both research on and conceptualization of this have taken a narrow perspective. Most IE researchers involve entrepreneur's prior experience as it relates to establishing a new international venture. In doing so, they overlook other types of experience as part of human and social capital. Therefore, we suggest that the entrepreneurial capabilities of an international entrepreneur be classified in at least two categories in this dissertation. The first are general broad-base capabilities, and the other are international business-related specific capabilities. The former consists of prior entrepreneurial, managerial and technical experience (Ucbasaran et al., 2008), whereas the latter includes international business experience, networking and the proactive, risk-taking and innovative capabilities of the entrepreneur (Dimitratos & Plakoyiannaki, 2003; Karra et al., 2008; Madsen & Servais, 1997). In addition, the global vision of the entrepreneur is added to the list of international entrepreneurial capabilities, considering researchers have found global vision at the heart of such capabilities (Gabrielsson et al., 2008; Goxe & Belhoste, 2019; Karra et al., 2008).

### 2.4.3 Microfoundations perspective

Research on dynamic capability has occupied a central and important place in the entrepreneurship and IE literature (Corner & Wu, 2021; Gnizy et al., 2014). However, most of these studies use a macro perspective to examine the impact of dynamic capabilities (Felin & Foss, 2005). A micro perspective, known as microfoundations, may provide deeper insights into the origins and development of dynamic capabilities (Fallon-Byrne & Harney, 2017). A microfoundation is ‘the underlying individual-level and group actions that shape strategy, organization, and, more broadly, the development of dynamic capabilities’ (Eisenhardt et al., 2010, p. 1263). In any organization, the most important and influential person, hence, the microfoundation, is the owner-manager. S/he influences the development of a firm’s dynamic capabilities (Bendig et al., 2018). Although the owner-manager may be one person, his/her influence on the organizational routines is undeniable due to his/her status of a role model and his/her power within the organization (Helfat & Martin, 2015; Mäkelä et al., 2012). When a new firm is established, the founder is most likely to bring human capital or resources to the firm accrued from his/her career and life experiences (Cooper et al., 1994). An entrepreneur’s prior experience works as a strategic resource for the firm and assists in creating value, developing other resources/capabilities, and achieving a competitive advantage (Kristandl & Bontis, 2007; West & Noel, 2009). From a theoretical perspective, an entrepreneur’s prior experience is explained from the RBV (Barney, 1986; Penrose, 1959). Considering prior experience’s role in creating other organizational resources and capabilities, it can be explained from a microfoundations perspective (Felin et al., 2012). Additionally, HC theory is also linked to the microfoundations perspective with regard to prior experience because prior experience is HC, which is also considered the microfoundation of organizational-level capability.

### 2.4.4 Network capabilities

The activities of both individuals and organizations have two different and contrasting foci, namely, exploration and exploitation. After March (1991) coined the two terms, management research has broadly applied these seemingly different activities and the tension between the two because of the attention and resources both require after. Later on, many other disciplines adopted these concepts and contributed to the discussion and debate around them. Most research in the IB or IE literature takes a traditional focus on exploitation activities (Hsu et al., 2013), whether it regards network or other activities, with only a few exceptions (e.g., Lin & Si, 2019; Lisboa et al., 2013).

Exploration has been defined as ‘the pursuit of knowledge, of things that might come to be known’ and exploitation as ‘the use and development of things already known’ (Levinthal & March, 1993, p. 105). Therefore, exploration is more future-oriented and requires flexibility, whereas exploitation is more short-term and may direct an

organization towards efficiency (Bodwell & Chermack, 2010; He & Wong, 2004). Network capabilities may be distinguished based on this exploration-exploitation perspective. The existence of a network does not guarantee resource acquisition potential from the network partners, so firms or individuals with the capability to do so have to activate the network (Gilmore & Carson, 1999).

Most network research in entrepreneurship and IE investigated the content, governance, and structure of networks (Hoang & Yi, 2015; Jones et al., 2011). Consequently, their main focus of these works is on types of networks and their importance. However, more recently, some scholars (e.g., Mu, 2013) have defined network as a dynamic capability, providing an alternative to traditional network research. Indeed, it is not the network itself but the network's capability that enables a firm to develop, maintain, and extend its network relationships and mobilize resources from network partners. Network capability is essentially a dynamic capability and exploration and exploitation constitute the building blocks of said dynamic capabilities (Zhan & Chen, 2013). Therefore, research on network capability should embrace the exploration-exploitation perspective by combining both the antecedents and outcomes of such capabilities (Hoang & Antoncic, 2003; O'Donnell et al., 2001; Slotte-Kock & Coviello, 2010).

#### 2.4.5 Cognitive heuristics and biases

According to the Merriam-Webster dictionary, heuristics involve or serve 'as an aid to learning, discovery, or problem-solving by experimental and especially trial-and-error methods' (Merriam-Webster, n.d.). Bias, on the other hand, is defined as 'a personal and sometimes unreasoned judgment' (Merriam-Webster, n.d.). As their meanings denote, both heuristics and biases have some negative connotations. From a decision-making perspective, biases and heuristics are rules, cognitive mechanisms, and subjective opinions people use to assist in making decisions (Busenitz & Barney, 1997). Most traditional theoretical models in the management literature are causal, rational or logical decision-making models that assume that managers are rational human beings and their decisions reflect this predisposition. However, an alternative approach and explanation developed based on Simon's (1959) work on 'bounded rationality' suggests that humans are not fully rational and informed, rather they are boundedly rational. This is because humans are incapable of collecting and weighing all the necessary information needed to make any particular decision. Acquisition of information is expensive and being able to process that information requires individuals to utilize their cognitive capabilities, which is quite burdensome (Blasch et al., 2019). The decision-making model that deviates from the traditional rationality-based model involves heuristics and biases (Kahneman et al., 1982; Stevenson et al., 1990). Though rational decision-making models assume rationality to be an outcome of correct decision making and consider decisions based on heuristics and biases an outcome of human's systematic errors (Artinger et al., 2015), research shows that decisions based on heuristics and bias with partial information are

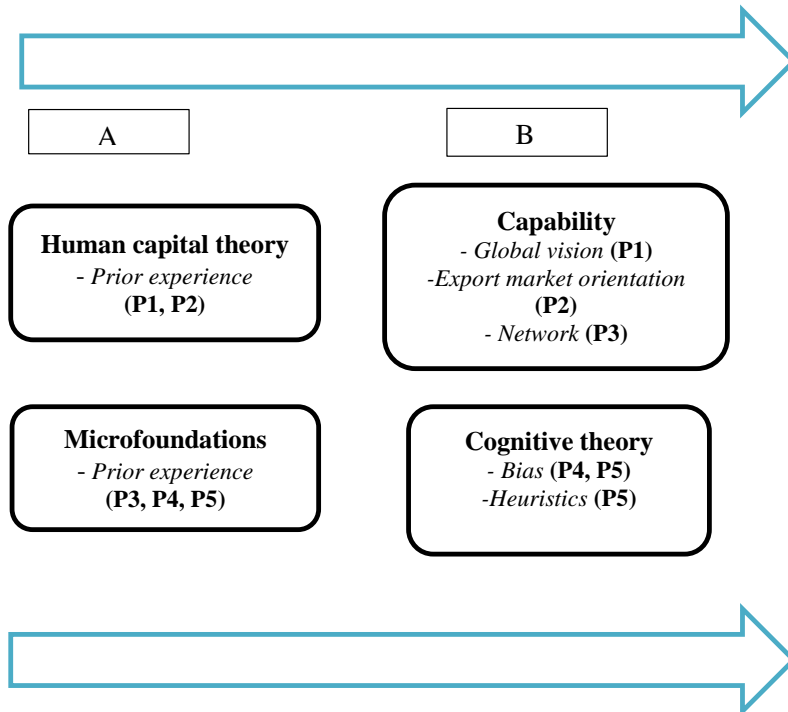
more accurate than decisions made with all information available (Gigerenzer & Gaissmaier, 2011; Gigerenzer, 2016).

Busenitz and Barney (1997) define heuristics and biases as the ‘simplifying strategies that individuals use to make decisions, especially in uncertain and complex conditions’ (p. 12). International business is characterized by uncertainties (Cavusgil & Godiwalla, 1982) and involved in foreign exchanges, political risks, unfamiliarity with operating in a new environment, labour restrictions, different cultures, and infrastructural difficulties (Johanson & Vahlne, 1977; Johanson & Vahlne, 2009). Internationalization decisions, such as market selection and market entry modes, involve a greater level of uncertainty (Acedo & Jones, 2007; Liesch et al., 2011). Therefore, entrepreneurial/managerial decisions in IB face levels of uncertainty due to the new environments and limited knowledge of organizational capabilities (Aharoni et al., 2011). In such a complex situation for deciding on internationalization, they resort to shortcuts and rules of thumb for making decisions and developing decision heuristics. Although IB literature acknowledges the existence of uncertainty in internationalization decision making, it is fertile ground for cognitive research which will provide insights to complex decisions and their performance consequences. Nevertheless, scholars in this domain have not sufficiently devoted their attention to different types of heuristics and the decisions which are based on them (Guercini & Milanesi, 2020).

## 2.5 Summary of the literature and theoretical scope of the dissertation

Figure 3 illustrates a summary of the theoretical model (discussed in section 2) for this dissertation, and it also serves as an analytical framework for each publication. As can be seen in figure 3, the two blocks of the theoretical foundation of this dissertation are labelled A (HC and microfoundations literature) and B (capability and cognitive literature).

Block A focuses on the theories of HC and microfoundations, which serve as the foundation for international performance and link entrepreneurs’ prior experience with entrepreneurs’ global vision, firm-level export market orientation and network capability. Block B focuses on the capability theory to link global vision and export market orientation to international performance and network capability to international OR. Finally, Block B also includes cognitive theory and relates cognitive heuristics and biases as decision-making mechanisms or shortcuts for making internationalization decisions such, as entry mode choice, market selection and speed of internationalization.



**Figure 3.** Theoretical blocks used in each publication to explore internationalization outcomes

Publication I refers to the HC theory (Block A) to define prior experience and shows the relationship between prior experience and global vision- a cognitive capability of entrepreneur (Block B), leading to international performance. Publication II partly uses HC theory along with capability view to define prior experience and experience-based capabilities and shows the relationship between such capabilities and export market orientation (Block B), leading to international performance. Publication III uses the microfoundations perspective to define prior experience (Block A) and shows the relationship between prior experience and network capability (Block B) in identifying international opportunities. Publication IV takes a microfoundation perspective to define prior experience and relates it to cognitive bias, namely, status quo bias, integrating cognitive theory, in entry mode decision (Block B) in internationalization. Finally, publication V develops a conceptual study by using microfoundations perspective to define prior experience and cognitive theory to show the emergence of cognitive bias and heuristics (Block B) from such experience.





### 3 Research methodology

An appropriate research design is vital for any researcher hoping for valid findings (Bickman & Rog, 2008). There are two basic approaches to research: qualitative and quantitative (Morgan, 2018). Qualitative approach is concerned with the subjective assessment of attitudes, opinions, and behavior. Research in this approach is a function of a researcher's insights and impressions and generates results either in non-quantitative form or in a form which is not subjected to rigorous quantitative analysis. On the other hand, the quantitative approach to research involves the generation of data in their quantitative form, which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. This approach can be further sub-classified into inferential, experimental and simulation approaches to research (Balnaves & Caputi, 2001). An experimental approach is characterized as there being much greater control over the research environment to manipulate variables and observe their effect on other variables. A simulation approach involves the construction of an artificial environment within which relevant information and data can be generated. In contrast, the purpose of an inferential approach to research is to form a database from which to infer characteristics or relationships of a population. This usually means survey research, where a sample of a population is studied (questioned or observed) to determine its characteristics, inferring that the population has the same characteristics (Kothari, 2004). Based on this information, this dissertation's research falls into the inferential quantitative approach to research design. For this dissertation, we adopted a quantitative research method to primary data (i.e., survey) collection. The last publication (Publication V) is of a conceptual nature. This chapter sets out the execution of the study in terms of the operationalization and measurement of variables, the research design and statistical methods used for data analysis.

#### 3.1 Methodological approach

The first publication uses a quantitative research method to analyze the determinants of international performance, including prior experience and global vision. This study primarily proposes that there is no direct relation between an entrepreneur's prior experience and international performance. The relationship is, therefore, fully mediated by a third variable, i.e., global vision – the cognitive capital of entrepreneurs. In general, in the internationalization literature, a mediated relationship between prior experience and international performance is not found. However, similar studies in the field investigated mediated relationships (e.g., Faroque et al., 2017; Zhou et al., 2007). Because an indirect relationship is to be investigated, structural equation modeling (SEM) seems appropriate.

SEM is a collection of statistical techniques that enables a researcher to effectively assess relationships among both manifest (i.e., observed) and latent (i.e., underlying theoretical construct) variables for the purposes of testing complex theoretical models or confirming

the factor structure of an instrument (Tomarken & Waller, 2005). In SEM, a construct can be treated as both a predictor construct and a criterion construct. SEM also supports the use of a collection of measured variables that can represent latent theoretical constructs more realistically than a single variable. This method differs from traditional regression analysis, as it performs multiple regression analyses concurrently, and allows the direct and indirect effects of variables to be simultaneously calculated (Schumacker & Lomax, 1996). For these reasons, SEM has become increasingly popular in social science research (Chan et al., 2007).

Publications II and III are also similar methodologically. These two studies investigate indirect effects in addition to the direct effects of prior experience. Study II investigates the direct and indirect effects of experience-based entrepreneurial capabilities on international performance through the mediation of export market orientation. Study III investigates the interrelationships between prior experience, network capability and international OR.

Publication IV is a scenario-based experiment which investigates if managers of internationalizing firms adopt or deviate from prior entry modes and under what conditions they decide to do so. Because this study attempts to investigate cognitive bias (i.e., SQB), which is difficult to measure directly through using quantitative research methods (e.g., regression or SEM), we adopted a scenario-based experimental method to suit our research objective and setting.

Publication V is a conceptual study which uses literature from cognitive theory, especially heuristics and biases, to develop a theory of early and rapid entry into international markets by EIFs. Such a unifying framework is missing in the fields of IB and IE and can serve as the basis for future research agendas and empirical testing (Schlegelmilch & Chini, 2003). Table 2 summarizes the research questions, methods, data and outcomes of each of the five studies included in the dissertation.

**Table 2.** Summary of the research methods used in the dissertation

Research question	Method	Data	Outcome
1. What role does prior experience play in the development of cognitive capital (i.e., global vision of entrepreneurs) to influence international performance?	Quantitative research (structural equation modeling)	A sample of 332 early internationalizing SMEs from the Bangladesh apparel industry	Tested and confirmed the hypotheses on the mediated effect of prior experience on international performance and non-existence of a direct relationship

2. What role does prior experience play in the development of export market orientation to achieve international performance?	Quantitative research (structural equation modeling)	A sample of 354 INVs operating in the apparel industry of Bangladesh	Tested and confirmed the hypotheses on the mediated effect of general and international entrepreneurial capabilities on international performance
3. What is the impact of entrepreneurial microfoundations (i.e., prior experience) of network capability on international OR?	Quantitative research (structural equation modeling)	A sample of 647 EIFs in the apparel industry of Bangladesh	Tested and confirmed the hypotheses on the interrelationships between prior experience, network capability and international OR
4. What causes firms to replicate (or deviate from) past entry mode choices?	Scenario-based experiment (ANOVA, t-test)	A sample of 1,188 managers from Finland and Bangladesh	Tested and confirmed the hypotheses related to the role of SQB in choosing the prior entry mode in subsequent entries
5. How do heuristics and biases originate from prior experience and consequently influence the internationalization decisions of EIFs in the early and later stages?	Conceptual (theory development)	Literature from cognitive theory, especially cognitive heuristics and bias	Developed several propositions to be studied in the future

### 3.2 Sampling, data collection, and data analysis

This section involves an overview of sampling, data collection and data analysis of the publications in the dissertation. First, we will describe the sampling, data collection and analysis of first three studies (Publications I-III). These three studies can be considered early phase publications of this dissertation due to the timeframe and research focus of the studies. Then, the data collection details of Publication IV, the study in the later phase of dissertation, is detailed. Since Publication V is a conceptual theory development paper, it did not involve any systematic data collection and analysis.

Each of the first three publications was conducted on data obtained from the export-oriented apparel industry of Bangladesh. Bangladesh is a South Asian country which has emerged, just after China, as the second largest apparel exporter in the world. Bangladesh is a very small country, in terms of land mass, with a huge population of 180 million, has been beset with political chaos and natural disaster, and lacks proper infrastructure and government institutions. Yet, the country's emergence as an apparel powerhouse can be attributed to the entrepreneurs' global vision and entrepreneurial spirit (Faroque, 2015). The industry started in 1978 with a single firm named Desh Garments, which was established to supply apparel products to Daewoo, a South Korean company. Daewoo provided free training to its employees at its state-of-the-art facilities. Later, most of these trained employees left Desh Garments and started their own apparel export companies. Thus, the history of how an underdeveloped country became a global leader in the apparel trade began (Faroque, 2015).

The industry has given birth to about 4,500-5,000 EIFs (BGMEA, n.d.; BKMEA, n.d.). All of the firms registered with the two exporters' associations (Bangladesh Garments Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA)) are legally bound to be 100% export oriented to benefit from the government's generous export incentives. Our sample was drawn from these two directories and data were collected by a structured questionnaire administered face-to-face.

For Publication I, using a random sampling method, 800 questionnaires were administered among the EIFs in the apparel export industry of Bangladesh, and 390 completed questionnaires were received (a response rate of 49%). Though the samples included both large firms and SMEs, only SMEs (<500 employees) were retained. After checking for missing values and performing a normality test, the final sample resulted in 332 responses. For Publication II, the same dataset was used. However, to satisfy the criterion of being an INV, a cut-off value of 10 years was used (Ferguson et al., 2021). 354 firms met this criterion and were retained for analysis in this study. For Publication III, a random sample was drawn from the two databases (directories of apparel exporters), resulting in 647 responses (a response rate of 81%) from EIFs including both large firms and SMEs.

In Publications I and II, the respondents were owner-managers of firms. If the entrepreneur was not available, then we approached the company's second-in-command to complete the survey. By conducting a t-test to identify the differences in answers provided by entrepreneurs and senior managers, we did not find any significant differences. However, the respondents of the Publication III surveys were senior managers for two reasons: owner-managers are not easily accessible and we believed that this approach could minimize social desirability bias on the part of entrepreneurs evaluating their own experience and capacities.

To overcome common method variance (CMV) in each of these studies (PI-PIII), we used several precautions: the instrument was pretested, the study was anonymous, and filtering questions were used to keep dependent and independent variables separate (Chang et al., 2010). We also run Harman's one factor test and a single latent factor analysis (Podsakoff et al., 2003), which did not show any indication of CMV.

Publication I is comprised of three variables: prior experience, global vision and export performance. While most constructs/items were developed based on the extant literature, some are generated by the author. All items were measured on a seven-point Likert scale. Publication II includes multiscale entrepreneurial capabilities (general and specific to international business), export market orientation and export performance. Finally, Publication III looks at prior experience, network exploration capability, network exploitation capability, and international OR. Again, some constructs/items are readily available (e.g., market orientation and export performance) while others are generated or adapted by the authors (e.g., international OR, network capabilities, and scenarios for experiments). All three publications were analyzed with structural equation modeling in AMOS software. We followed the standard two-stage procedure for analyzing data: (a) measurement model estimation and (b) structural model estimation. All items were fed into the measurement model to test the hypothesized factor structure and assess the convergent and discriminant validity. Overall, all three measurement models in these three publications showed that the items used to measure the constructs were both valid and reliable. Convergent validity is determined by the large and significant standardized factor loadings. Discriminant validity is determined by the procedure suggested by Fornell and Larcker (1981). Cronbach's alpha, composite reliability and the average variance extracted were estimated to ascertain reliability and internal consistency. Model fit statistics were also used, such as chi-square, goodness of fit index, comparative fit index, incremental fit index, root mean square error of approximation, and non-normed fit index. Overall, the analyses suggest that the measurement model fits the data well and constructs confirm adequate validity and reliability. Consequently, the structural model was run and estimated simultaneously with all the constructs in each study, which ultimately confirmed or rejected the hypotheses. The detail of each construct and their measurement properties as well as the structural model fit and results are available in each of the publications.

Finally, Publication IV is a scenario-based experimental survey, for which several scenarios and managers were asked to choose the best answers (decisions on entry mode choice) that suited them based on each scenario. Detailed and stringent procedures were followed to develop the survey. It was first pretested with several academic experts and 16 managers; after which, some changes were made based on their suggestions. Afterwards, we used Qualtrics, an online survey platform, to pretest the survey on 101 business students in three countries: the UK, Finland, and Bangladesh. Finally, data were collected from both Bangladesh and Finland. Finland is a developed Western country with a small market size, while Bangladesh is a developing Asian country with large market size. The two countries differ in terms of economic and institutional development, culture (e.g., uncertainty avoidance), and market size. This helped us validate our theory, as we were able to test our hypotheses in two contrasting environments and examine whether they could be confirmed in different environments. The subjects for the experiments in this study totalled 1,188 managers from internationalizing firms (having some sort of international involvement) from multiple industries in two countries, Bangladesh and Finland.

In Finland, data was collected via online questionnaires using Qualtrics software. In total, we received 267 responses, a response rate of 35%. Due to the emerging country context and low level of online access in Bangladesh, we collected data through face-to-face interviews/site visits with randomized printed questionnaires. Finally, we received 921 responses, which corresponds to a 46% response rate. Manipulation check results showed that the survey manipulations worked well. To test the hypotheses, we ran independent sample t-tests as well as a two-way ANOVA.

Publication V is a conceptual study in which a theory of early and rapid internationalization was developed based on cognitive heuristics and biases applied in decision making by owners-managers in entrepreneurial firms.

## 4 Summary of publications

I This chapter includes a summary of each publication and its contribution to the IB and IE literature. Publication I is an empirical study that was undertaken to understand the complex relationship between prior experience and international performance. Publication II is an empirical study which investigates the indirect relationship between entrepreneurial capabilities and international performance through the mediation of export market orientation. Publication III is also an empirical study which explores the relationships between entrepreneurs' prior experience, network capabilities and international OR. The next publication, Publication IV, is an experimental study which investigates the role of SQB in the selection of prior entry mode by IB managers. Finally, Publication V is a conceptual paper which develops a cognitive theory of early and rapid internationalization.

### 4.1 Publication I: Prior experience and export performance: The missing link of global vision

#### 4.1.1 Main objective

The objective of Publication I is to investigate the indirect relationship between entrepreneurs' prior experience and international performance through a global vision lens.

#### 4.1.2 Methodology and empirical data

This study's sample data comes from 332 early internationalizing SMEs in the apparel industry of an emerging economy, namely, Bangladesh. Structural equation modeling is used to investigate the hypothesised relationships.

#### 4.1.3 Main findings

Based on human capital and resource-based theory, this study hypothesizes that there is no direct relationship between entrepreneurs' prior experience and export performance; rather, this relationship is mediated by an entrepreneur's global vision. The findings of the study also provide support to this relationship.

#### 4.1.4 Contribution

Firstly, this study contributes to the literature on HC by revealing the relationship between prior experience and the global vision of entrepreneurs. Second, it contributes to the literature in IB and IE by explaining how global vision mediates between prior experience and export performance. The global vision of entrepreneurs acts as a mediating variable (intermediate input) to produce the final output (export performance). Prior experiences



might give rise to strategic inertia on the part of the entrepreneur due to his/her habitual reliance on a previously successful business recipe or success formula (Wright & Goodwin, 1999). To overcome the cognitive inertia that can result from prior experiences, entrepreneurs must focus on their cognitive capability or global vision – the capability to see the world through a global lens. Finally, given that research on global vision mostly focuses on developed countries, the context of this study contributes to the literature with its focus on entrepreneurs' prior experience and global vision in a developing country, Bangladesh.

## 4.2 **Publication II: Revisiting entrepreneurial capabilities and export market orientation: a multi-scale investigation in an emerging economy**

### 4.2.1 **Main objective**

The objective of this publication is to bridge prior experience and experience-based entrepreneurial capability with export market orientation and the international performance of INVs. Since little is known about the antecedents of export market orientation, its performance outcome is ambiguous. This study aims to enhance our understanding of this pressing research topic.

### 4.2.2 **Methodology and empirical data**

This study's sample uses data from 354 INVs operating in the apparel industry of an emerging economy, namely, Bangladesh. Structural equation modeling is used to investigate the hypothesised relationships.

### 4.2.3 **Main findings**

Multi-scale entrepreneurial capabilities (both general and specific to international business) and market orientation constructs (Deshpandé & Farley, 1999; Morris & Paul, 1987) were used to provide more profound insights into the literature on early internationalization. For both scales of market orientation, the effect of general and international entrepreneurial capability on export market orientation is positively significant, and, therefore, support the mediating role of market orientation in the relationship between general/international entrepreneurial capability and international performance.

### 4.2.4 **Contribution**

This study has contributed to the literature in the following ways. First, it aimed to connect entrepreneurs' experience-based capabilities with firms' export market orientation. In doing so, this has contributed to the literature on experience-based entrepreneurial

### **4.3 Publication III: Microfoundations of network exploration and exploitation capabilities in international opportunity recognition**

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capability by distinguishing between general, in terms of prior entrepreneurial, managerial, industry, and technical experience (Ucbasaran et al., 2008) and international entrepreneurial capability (Karra et al., 2008). Furthermore, it has shown their linkage to a specific firm-level strategic orientation—market orientation in export markets. Second, building on the perspective of capability-resources-performance, we found that export market-oriented behavior and resources fully mediate the relationship between an entrepreneur's experience-based capability and international performance. Organizational capabilities are embedded in the routines of firms (Nelson & Winter, 1982) and reside in the corporate culture and network of employee relations (Collis, 2006) rather than a single individual (Teece, 1982). Therefore, the results of this study suggest that entrepreneurial capability is not adequate for achieving superior organizational performance. Capabilities reside in the entire organization. In order to influence performance outcomes, an entrepreneur's capabilities need to be channeled through this novel organizational process, which was achieved through the market-oriented capability of the whole organization in this study.

### **4.3 Publication III: Microfoundations of network exploration and exploitation capabilities in international opportunity recognition**

#### **4.3.1 Main objective**

The aim of this article was to investigate the links between prior experience (as entrepreneurial microfoundations), dual network capability, and international OR.

#### **4.3.2 Methodology and empirical data**

This article used SEM for a sample of 647 EIFs in Bangladesh's traditional low-tech apparel industry.

#### **4.3.3 Main findings**

The study demonstrates that founders' prior experience is a significant microfoundation of dual network capability in international OR. However, both exploration and exploitation capabilities fail to bring new opportunities in a changing market environment. A post-hoc analysis also reveals that at a higher level of market change, younger firms benefit more from network exploration, whereas older firms achieve greater success when leveraging benefits from network exploitation.

#### **4.3.4 Contribution**

This publication offers several contributions to theory. First, it contributes to the IB and IE literature with its inclusion of a microfoundations perspective to explore the individual

micro-level origins of network capabilities (Felin et al., 2015). Moreover, the results of this study suggest that entrepreneur's prior experience constitutes an essential microfoundation for network capability. Thus, a major contribution of this study is its response to the call for research on experience in IE as 'experience at an individual level is under-theorized in IE research' (Jones & Casulli, 2014, p. 47). Additionally, this study contributes to the IE literature by distinguishing between exploration and exploitation type capabilities in a network (March, 1991) and to the 'capability-based view of [an] internationalizing firm' (Teece, 2014). Since network capability forms the foundation for entrepreneurial success (Gronum et al., 2012), the differentiation between exploration and exploitation types in network capability brings a new understanding on how firms' abilities to explore and exploit their business network relationships can offer the most favourable outcomes in international markets, in general, and in their ability to recognize international opportunities, in particular.

#### 4.4 Publication IV: Entry mode decision-making and status quo bias

##### 4.4.1 Main objective

The objective of this study is to investigate why firms replicate past entry mode choices when they make an entry mode decision, from a cognitive perspective, focusing on managers' SQB.

##### 4.4.2 Methodology and empirical data

1,188 managers from internationalizing firms from Bangladesh and Finland were used for scenario-based experiments.

##### 4.4.3 Main findings

The findings of the study primarily support the idea that SQB – the tendency to stick to a previous decision – is present in managers' choice of entry mode. This also demonstrates that a firm's slack resources and size as well as the political risk of the target market moderate the effect of the status quo entry mode on a subsequent mode choice, thus, showing under what circumstances managers deviate from their status quo entry mode decision.

##### 4.4.4 Contribution

This study contributes to entry mode choice literature by studying factors and conditions through which firms replicate or deviate from their past entry mode choices using the theory of cognitive biases. Further, this study elaborates on the differences between two different dominant entry mode categories (namely, low committed export-based modes vs. higher commitment non-export-based modes), and two different nationalities (Finland and Bangladesh). The results suggest that export managers are, in general, subject to SQB

#### **4.5 Publication V: The power and perils of cognition: Longitudinal and adaptive perspective of heuristics and biases in early and post-entry (de-/re-)internationalization** 51

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when they choose an entry mode. However, there are factors that can influence a divergence from the status quo entry mode option, including slack resources and market size. Finally, we contributed to the entry mode literature by focusing on individual managers instead of firms to shed light on why firms repeat their past entry mode choices.

#### **4.5 Publication V: The power and perils of cognition: Longitudinal and adaptive perspective of heuristics and biases in early and post-entry (de-/re-)internationalization**

##### **4.5.1 Main objective**

This study explores how owner-managers' different heuristics and biases influence internationalization decisions, both in the initial and the later stages of internationalization, to develop a theoretical framework.

##### **4.5.2 Main findings**

This article presents a theoretical framework for the influence of managerial heuristics and biases in the initial and later stages of internationalization. One key variable was included (i.e. owner-managers' prior international experience and how different biases originate from this experience). Further, how said prior experience impacts initial internationalization was explored. We suggest that the effects and continued presence of key factors in the post-entry stage give rise to some specific heuristics and biases that impact subsequent internationalization attempts. We also suggest that the power of heuristics and biases in the initial stage may negatively influence the subsequent internationalization and determine the subsequent path of (de-/re-)internationalization.

##### **4.5.3 Contribution**

This study aimed to bring the cognitive perspective to IE literature. Cognitive heuristics and biases vary depending on decision contexts (Bryant, 2007). This means that the heuristics and biases applicable to internationalization decisions in different contexts and stages (e.g., initial and post-entry) need to be addressed (Cossette, 2015) to know how they are formed and triggered as well as the benefits (Shepherd et al., 2015) and dangers that arise from them. Therefore, this study explored how owner-managers' different heuristics and biases influence internationalization decisions and how they transform in the later stages of internationalization. Two different and opposing sets of heuristics and biases have been identified as active in these two stages of internationalization. Second, the study contributes to the ongoing debate in IB and IE on the psychic distance paradox (Liu et al., 2021) by providing an explanation from the cognitive bias perspective and by using individual-level determinants (owner-manager's prior experience) instead of country-level factors common to the pertinent literature in the field (Håkanson & Ambos, 2010). Third, the study contributes to the IB literature, especially regarding market

selection and entry mode, by providing some plausible explanations as to why owner-managers stick to previously made decisions in market selection and entry mode choices. We suggest how several heuristics and biases, originating from the decision makers' prior international experience, lead to early internationalization and later cautious internationalization or exit if the entry is not reaching its given goals.

#### 4.6 Summary of the publications

The results from all the publications are summarized in Table 3 and will be discussed in more detail in the next final chapter of this dissertation.

**Table 3.** Summary of the publications

<b>Title of the publication</b>	<b>Method</b>	<b>Main findings</b>
Prior experience and export performance: The missing link of global vision	Quantitative research	There is no direct relationship between entrepreneurs' prior experience and international performance. The global vision of entrepreneurs mediates the relationship.
Revisiting entrepreneurial capabilities and export market orientation: a multi-scale investigation in an emerging economy	Quantitative research	Broadly, there is a positive relationship between general/international entrepreneurial capability, export market orientation, and international performance. Export market orientation acts as a mediator between entrepreneurial capability and international performance.
Microfoundations of network exploration and exploitation capabilities in international opportunity recognition	Quantitative research	Entrepreneurs' prior experience is the essential microfoundation of network capability (exploration and exploitation) in recognizing international opportunities. Further, in the condition of a changing market, older internationalizing firms benefit more from network exploitation, whereas younger ones benefit more from exploration.
Entry mode decision-making and SQB	Scenario-based experiment	The study finds that managers are, in general, prone to stick to their previous choice for entry mode selection, thus supporting the SQB in entry mode decision making. Additionally, the

		findings show that a firm's slack resources and size as well as the political risk of the target market moderate the effect of the status quo entry mode on a subsequent mode choice.
The power and perils of cognition: Longitudinal and adaptive perspective of heuristics and biases in early and post-entry (de/re)internationalization	Conceptual (theory development)	This article presents a theoretical framework from the perspective of cognitive heuristics and biases originating from owner-managers' prior experience and influencing early internationalization decisions. This also suggests that the power of heuristics and biases in the initial stage may turn into peril in the subsequent internationalization stage.



## 5 Contributions and conclusions

This section presents a summary of the research contributions of this dissertation. First, we revisit the research questions set in chapter 1 and summarize the answer to each of these questions in line with the overall findings of the studies. Then, we discuss the contributions to theory and practice made by the dissertation. Finally, we conclude with a discussion on the limitations of this research and suggesting for the future avenues for research.

### 5.1 Answering the research questions

The aim of this dissertation was to advance our knowledge of the antecedents to entrepreneurial internationalization outcomes as well as internationalization decisions from an entrepreneurial managerial cognitive perspective. Specifically, we investigated how prior experience influences (a) entrepreneurial outcomes of internationalization (i.e., OR and performance outcomes) and (b) internationalization decision making.

This dissertation consists of five articles, each addressing one of the research sub-questions. The first article (Publication I) addressed the question: *What role does prior experience play in the development of cognitive capital (i.e., global vision of entrepreneurs) to influence international performance?* Given that literature on prior experience and entrepreneurial performance did not provide any conclusive outcomes (Bruneel et al., 2018; Domurath & Patzelt, 2019) and scholars increasingly suggest an indirect relationship between the two (Reuber & Fischer 1997; Sandberg, 1986), this study posited and empirically investigated this indirect relationship through the cognitive capital of entrepreneurs (i.e., the global vision). This study proposed that entrepreneurs' prior experience (e.g., entrepreneurial, managerial, industry, and technical/functional) plays a significant role in the development of their global vision, which, in turn, influences the export performance of internationalizing firms. Based on the data from the apparel export industry of Bangladesh, this quantitative study supports this notion.

The next study (Publication II) was quantitative in nature. It responded to the second research sub-question: *What role does prior experience play in the development of export market orientation to achieve international performance?* Using quantitative data from apparel exporters in Bangladesh, this study showed that prior experience-based general capability and international business-related capability constitute the antecedents to export market-oriented capability/behavior, which in turn positively influences the export performance of the firms.

Publication III addresses the following research sub-question: *What is the impact of entrepreneurial microfoundations (i.e., prior experience) of network capability on international OR?* This quantitative study used survey data from EIFs in the apparel industry of Bangladesh to show that an entrepreneur's prior experience is an essential microfoundation for firm-level network exploration and exploitation capabilities.



In comparison to publications I, II and III, the two last publications (IV and V) focused more on internationalization decisions than performance. Internationalization decisions are driven by owner's or top manager's mental models (Maitland & Sammartino, 2015), which necessitates a cognitive approach that includes heuristics and biases to explain particular decisions (Busenitz & Barney, 1997; Townsend et al., 2010). Adopting the cognitive bias theory, Publication IV considers one specific decision in internationalization (i.e., entry mode choice). Although entry mode literature is replete with voluminous empirical studies, the pressing question of why managers choose the prior entry mode has not been adequately addressed (Hennart & Slangen, 2015). This study investigated how decision-makers' cognitively constrained processes shape firms' entry mode decision-making and, thus, firms' internationalization. It found that managers are, in general, prone to SQB and choose previously adopted entry modes in the subsequent market entries and will deviate from the status quo choice only under certain circumstances. Thus, publication IV addresses the fourth research sub-question of the dissertation: *What causes firms to replicate (or deviate from) past entry mode choices?*

Finally, the fifth and last publication, Publication V, is a conceptual study and could be considered an umbrella framework for internationalization decisions. Considering the fact that earlier four publications are snapshots of a single research agenda with respect to international performance or internationalization decisions (i.e., entry mode), a unified decision-making framework was lacking and, therefore, required. Consequently, Publication V sought to answer the last research sub-question of the dissertation: *How do heuristics and biases originate from prior experience and consequently influence the internationalization decisions of EIFs in the early and later stages?* By taking a cognitive approach, this study suggests how owner-managers' decision-making heuristics and biases originate from their prior experience and ultimately influence initial internationalization of EIFs. Then, it further posits that post-entry experience will eventually make owner-managers adapt their initial heuristics and biases, influencing post-entry internationalization and de-internationalization. Hence, it puts forwards some new researchable propositions.

## 5.2 Contributions to theory

### 5.2.1 Contributions to internationalization performance literature

This dissertation contributes to internationalization performance literature in three ways. First, this dissertation contributes to the HC literature by revealing the relationship between prior experience and the global vision of entrepreneurs. Further, by explaining the mediating mechanism of the global vision between prior experience and export performance (Publication I), it makes contributions to the IB and IE literature. More specifically, we argued that prior experience cannot directly affect internationalization performance, rather it requires translation to the entrepreneur's cognitive thinking –

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global vision – to achieve performance outcomes in international markets. Second, this dissertation attempted to bridge entrepreneurs’ experience-based capabilities, firms’ market-oriented activities, and international performance (Publication II). More specifically, this has established the sources of market and marketing-oriented behavior and showed the indirect relationship between experience-based entrepreneurial capability and export performance building on the capability – resources – performance perspective. Finally, given that research on entrepreneurial experience and capabilities has mainly been conducted in developed country settings, this dissertation made another contribution to the literature by investigating these concepts in a developing country context because theories developed in developed countries need to be adapted to the context of developing countries (Bruton et al., 2008). As most developing countries share some common features, like labor-intensiveness in manufacturing, weak public institutions, and unstable economic systems (Rana & Sørensen, 2021), the findings of this dissertation would be of value to developing countries of a similar nature.

### 5.2.2 Contributions to the IE and international OR literature

This dissertation (more specifically, Publication III) contributes to the internationalization literature by using a microfoundations perspective in network capability development by exploring the individual-level origins of network capabilities (Felin et al., 2015). Specifically, Publication III responds to the call for more ‘experience at an individual level [which] is under-theorized in IE research’ (Jones & Casulli, 2014, p. 47) and investigates prior experience as micro-level origins of network capabilities (Felin & Foss, 2005; Teece, 2007). Second, this dissertation contributes to the IE and international OR literature by distinguishing between exploration and exploitation type capabilities in IE and international OR through the exploration and exploitation lenses in line with the exploration–exploitation perspective (March, 1991) and ‘capability-based view of [an] internationalizing firm’ (Teece, 2014). Since network capability forms the foundation for entrepreneurial success (Gronum et al., 2012), the exploration–exploitation dichotomy in network capability will shed new light on entrepreneurial outcomes, such as OR. Third, this dissertation contributes to the opportunity-based view in IE. The entrepreneurial opportunity, defined herein as the product–market opportunity (Schumpeter, 1934; Singh, 2001), is recognized as a central concept in both entrepreneurship (Short et al., 2010) and IE (Etemad, 2015). However, despite the noted importance of network-related capabilities in the field of IE, to our knowledge, no previous studies illustrate the relationship between international OR and network capability. Two specific areas thus far remain unassessed, namely, the impact of network capabilities on international OR and the differential internationalization outcomes due to the adoption of different types of networking—exploration and exploitation. Because the objectives of and the resources required for these two types of network capabilities differ, knowing their impacts on international OR will guide decision makers to develop these capabilities to identify international opportunities.

### 5.2.3 Contributions to internationalization decision making literature

This dissertation contributes to the literature on decision making in internationalization. One of a firm's internationalization decisions is entry mode choice (Ellis & Pecotich, 2001), and this dissertation contributes to entry mode literature in several ways. In contrast to existing entry mode research that is done at the firm level, Publication IV investigates how decision makers' decisions are influenced by SQB. Thus, this dissertation contributes to internationalization decision making literature by taking the lens of cognitive bias, which proffers a boundedly rational perspective in decision making (Simon, 1991), as opposed to existing research's rationality assumption in entry mode choice (Xu et al., 2020). Second, we have contributed to both fields of exporting and non-export entry mode research in IB by showing that a manager's SQB acts as an individual's cognitive inertia (Dow et al., 2018) and influences both export and non-export entry mode choice. Finally, we contributed to mode change literature by integrating two streams of research involving mode increase and reduction in response to the call for more research on mode changes to improve our understanding of the internationalization process (Swoboda et al., 2011). We also made methodological contributions by way of using a cognitive perspective in scenario-based experiments, which is underrepresented in IB and offers an opportunity to improve the evidence for causal relationships in IB research (Zellmer-Bruhn et al., 2016).

However, it is not only one specific decision (i.e., entry mode) that concerns internationalization so a cognitive perspective is required. Internationalization also includes other decisions, such as market selection, timing and speed of market entry as well as market exit and re-entry. Since internationalization is a complex decision and researchers have only captured a small part of it through individual investigation, a unified framework consisting of all the stages, especially for EIFs, is lacking. Therefore, the last contribution of this dissertation (Publication V) is to offer a conceptual framework for EIFs and their owner-managers, which suggests how individual an owner/manager's disposition affects initial and post-entry internationalization decisions. Overall, this contributes to the internationalization decision making literature in three specific ways. First, this contributes to using a cognitive perspective in IE literature by suggesting that heuristics and biases adopted in decision making vary according to context, suggesting that IE decisions also need to be understood at its different stages (i.e., initial and post-entry). We identified two different sets of heuristics and biases active in these two stages of internationalization, which informs of the adaptive transformation of heuristics and biases at the later stages of internationalization. Second, we contribute to the ongoing debate in IB and IE on the psychic distance paradox (Liu et al., 2021) by providing an explanation from a cognitive bias perspective, using managerial level determinants (i.e., prior experience) rather than country level factors (e.g., geographic and cultural distance, level of economic development) (Håkanson & Ambos, 2010). We include individual owner-manager's prior international experience before initial entry and experiential experience after post-entry, linked to several heuristics and biases, to attend to the psychic distance paradox. The relationships between experiences and biases are inconclusive and, thus, offer an interesting avenue for further research at the individual level (Zhang &

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Cueto, 2017). Third, we contribute to the IB literature, especially the market selection and entry mode literature, by providing specific reasons explaining why owner-managers stick to their previously taken decisions in market selection and entry mode choice. In the first stage of the model, we discuss how several heuristics and biases, originating from the decision makers' prior international experience, lead to internationalization decisions. More specifically, why owner-managers who have previous experience in operating in developed countries or with a particular entry mode stick to the specific group of countries or the prior entry mode in subsequent attempts at internationalization has been analysed from a cognitive bias perspective.

### 5.3 Contributions to practice

This dissertation provides some implications for practitioners. Our results, from an international performance perspective, suggest that entrepreneurs and managers in EIFs need to engage in regular dialogue and reflection within their organization to challenge their assumptions and broaden narrow perspectives to achieve export performance. Entrepreneurs can utilize global vision by way of their prior managerial, industrial, ownership and technical experience and by employing employees with such experience (Gupta & Govindarajan, 2002). Entrepreneurs should recruit managers with a background in and knowledge of diverse cultures and markets. Managers with a broader perspective will ensure greater international performance. This can also be achieved by giving proper cognitive training to employees within the organization. The findings also highlight the role of entrepreneurs' prior experience in cultivating an organization-wide market-oriented culture and improving marketing activities in internationalizing firms, which will ultimately lead to better export performance. The firm managers should capitalize on the entrepreneur's general and international entrepreneurial capabilities to strengthen the market and marketing-oriented culture throughout an organization, which would, in turn, facilitate greater performance achievement in export markets. The non-significant findings concerning the entrepreneur's capabilities and export performance also indicate that to achieve greater financial performance, entrepreneurial capabilities are not sufficient on their own. Entrepreneurs need to delegate more autonomy to the managers and to play a very instrumental role in building a strong market- and marketing-oriented culture. Also, this study guides owner-managers in terms of network capability's microfoundations in recognizing opportunities in international markets. Managers can capitalize on entrepreneurs' prior experience to build the firm's network capabilities and reduce firms' costs in developing capabilities targeted at recognizing international opportunities. Further, this could also be done by recruiting managers with prior experience and pre-existing networks, which they would be able to utilize to identify new international opportunities.

The findings of the dissertation, with regard to a specific internationalization decision-entry mode choice, suggest effective ways for executives to overcome the bias associated with mode choice. From the research findings, managers should be aware of SQB, which may limit their internationalization decisions, especially in entry mode choices. Our study

and its findings identify the situations in which most managers are more likely to behave in a similar way. Under stable situations, managers are prone to SQB by repeating a previously adopted entry mode in their subsequent internationalization attempts. However, managers must be aware of certain firm and market-specific conditions to benefit from the optimal entry mode choice. Managerial awareness of options, such as the availability of slack resources, is of greater importance because options do not automatically lead to decisions or performance in the long run unless managers are aware of them and apply them consciously (Driouchi & Bennett, 2011). Finally, with regard to initial and post-entry internationalization decisions, this dissertation suggests that owner-managers need to weigh their level of experience and its applicability to the novel internationalization context so that they do not become overconfident or overoptimistic or develop psychic proximity bias, which may lead them to shock effects in the post-entry stage. We suggest that the transformation of primary level heuristics into tertiary level (diffidence, cautious optimism, and psychic distance bias) will bring good results for managers if they learn from post-entry conditions.

This dissertation also provides implications for policy makers. Because this dissertation reports that an entrepreneurs' prior experience is positively related to global vision as well as to the development of a market/marketing oriented organizational culture, which ultimately leads to greater export performance, governments should target their assistance programs at potential entrepreneurs with sufficient prior experience. Academic institutes could offer IE courses and training programs, which could, in turn, broaden entrepreneurs' narrow viewpoints. Several types of specific assistance programs, such as trade fairs and foreign trade missions, can also be instrumental in extending exporters' global vision and developing a customer-oriented culture in their organizations. This dissertation also provides important implications for policy makers who would like to impact IE, which is about identifying new opportunities in international markets. The findings of the dissertation indicate that, in a changing market environment, younger firms are in need of government assistance (Ahmed et al., 2002) because they possess only limited network ties due to the liability of newness (Wiklund et al., 2010). Policy makers can assist these firms by offering programs, such as trade shows and trade fairs and the opportunity to participate in overseas trade missions that will help to be in touch with buyers, suppliers, and export intermediaries and thus extending their existing networks. Finally, with regard to decision making and related cognitive heuristics and biases, policy makers could organize seminars and training programs to make owners-managers aware of the potential decision biases and offer bias modification programs.

#### **5.4 Limitations and future research**

While this dissertation offers several important contributions to the theory and practice, like any other research, it is also not free from potential limitations. Firstly, the first three of its publications the dissertation research adopt a cross-sectional research design, which cannot capture the change in the dynamic nature of the market orientation and capabilities

constructs, let alone their impact on the change in business performance (Kwon & Hu, 2000). Longitudinal research may provide a better understanding of these constructs and their relationships. Second, for measuring international performance, we only used financial measures. Future research may include both financial and non-financial/strategic measures, and performance data from secondary sources could also be used. Third, in addition to entrepreneurs' prior experience, there are other entrepreneur, firm and environmental variables which may be of importance for achieving performance objectives. These other variables could be investigated in interaction with prior experience because prior experience may exert influence through these variables. Fourth, for the first three publications, data were taken from an emerging country's particular industry; therefore, the generalizability of the findings to other countries and industries might be limited. However, in Publication IV, cross-country data were used. With regard to the constructs used in the first three publications, future possibilities remain. For example, prior experience, network exploration and exploitation, market orientation, and international OR could be developed/treated as multidimensional constructs. Fifth, for all publications in this dissertation, the quality of entrepreneurs' and managers' prior experience (i.e., positive, negative, success, and failure) could be investigated with regard to related constructs. Additionally, Publications IV and V, considered the quality of experience, but it was mostly positive prior experience with regard to entry mode as well as prior international venturing. Future studies could consider all types of experiences and investigate their link to the core questions addressed in this dissertation. Finally, because there may exist differences among EIFs (e.g., INVs, born globals and other types) in their strategic focuses, orientations and many other dimensions, future research could investigate these firms from a comparative perspective. Also, while this dissertation used the term entrepreneurial internationalization to indicate the nature of internationalization among all types of firms including early and traditionally internationalizing ones, future research could investigate the level of entrepreneurship in internationalization of these different firms in terms of innovativeness, proactiveness and risk taking dimensions.



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## **Publication I**

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**Prior experience and export performance: the missing link of global vision**

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# Prior Experience and Export Performance: The Missing Link of Global Vision

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**Abstract.** Despite the scholarly interest in the prior experience of entrepreneurs expressed by the field of International Entrepreneurship, empirical investigation linking prior experience with international performance leads to inconclusive and conflicting results. Based on the concept of human capital and resource-based theory, this study provides a supplementary explanation by integrating global vision—the cognitive capital of the entrepreneur related to an international orientation—into this relationship. The study hypothesises that there is no direct relationship between entrepreneurs' prior experience and export performance; rather, this relationship is mediated by an entrepreneur's global vision. The hypotheses were tested using structural equation modelling, drawing on a sample of 332 early internationalising SMEs in Bangladesh. To overcome the cognitive inertia resulting from prior experiences, entrepreneurs must focus on their cognitive capabilities, in particular the ability to see the world through a global lens. In order to improve export performance, policymakers must also provide additional support to strengthen entrepreneurs' global vision.

**Keywords:** cognitive capital; emerging economy; early internationalising SMEs; human capital; resource-based theory.

## 1. Introduction

Issues concerning the role of the entrepreneur in a firm's formation, growth and performance have spurred a plethora of research in the mainstream

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entrepreneurship literature. This field involves “the study of *sources* of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of *individuals* who discover, evaluate, and exploit them” (Shane and Venkataraman 2000, p. 218). The entrepreneur has thus become central to the theoretical discussion of and empirical investigation into entrepreneurship. Scholars have found that entrepreneurs’ human capital (HC) — in other words, their prior experience and knowledge— has been instrumental in the formation and performance of firms (Bosma et al. 2004; Darnihamedani and Hessels 2016; Davidsson and Honig 2003). Similarly, the field of International Entrepreneurship (IE) also focuses on entrepreneurs and their HC, thus recognising the role of the individual entrepreneur in the early and gradual internationalisation of firms (Kuivalainen et al. 2007; Andersson and Wictor 2003; Baronchelli and Cassia 2014; Rasmussen and Madsen 2002). The experience and knowledge of entrepreneurs leveraged to create and develop international firms has provoked great interest among IE scholars (Rasmussen and Madsen 2002). Previous studies of IE have mainly emphasised the prior experience of international entrepreneurs (Oura et al. 2016) and its link to the probability of SMEs’ early internationalisation (Reuber and Fischer 1997); they have also differentiated between early and gradually internationalising firms (McDougall et al. 2003). Early internationalising firms include international new ventures, global start-ups and born global firms (Rialp et al. 2005), which are international at inception or from the earliest days of operations (Oviatt and McDougall 1994; Knight and Cavusgil 1996). The owner-managers of early internationalising firms are reported to have achieved international experience and capabilities during their employment prior to their firm’s establishment (Reuber and Fischer 2002; Sharma and Blomstermo 2003), which helped them enter international markets early and rapidly (Cannone and Ughetto 2014; Jones 2001; Reuber and Fischer 1997).

Although prior experience is recognised as one of the most influential determinants of early internationalisation, earlier research unilaterally focused on prior *international* experience of entrepreneurs, at the expense of other forms of experience. Later on, though scholars started to accommodate other forms of experience, they mostly tried to establish a direct link between such experience and internationalisation performance and overlooked the mechanism how prior experience influences export performance. However, such endeavour ended up with inconclusive and conflicting results (Bruneel, Clarysse, and Autio 2018; Domurath and Patzelt 2019). Consequently, we argue that prior international experience or a single form of other experiences (such as education or domestic experience) alone cannot typify an international entrepreneur. This parochial view of HC has limited our understanding of the relationship between an entrepreneur’s HC and internationalisation timing and growth (Cowling, Liu, and Zhang 2016). Therefore, a broader conceptualisation of the entrepreneur’s HC

(specifically, prior experience) is adopted in the present study using HC and resource-based theory (RBT).

We also adopt the cognitive perspective to explain entrepreneurs' global vision—a subset of the global mindset—which has also been shown to differentiate early internationalisers from their gradual counterparts (Harveston et al. 2000; Oviatt and McDougall 1994; Moen and Servais 2002). IE research has limited its relevance by focusing only on the differences between incremental internationalisation and born globalness. From the pertinent research, a stylized view of early internationalising firms has emerged: these firms are initiated by an entrepreneur who has prior international experience and possesses a global vision. However, researchers have overlooked the potential link between an entrepreneur's prior experience (which may be broader than just international experience or another single form of experiences) and global vision and how these two factors combine to create a performance advantage. We argue that prior experience cannot directly affect internationalisation performance; instead, it needs to be translated into an entrepreneur's cognitive thinking—in particular his or her global vision—to achieve performance advantage in international markets.

Hence, the fundamental research question addressed in this study is: *What role does global vision play in the relationship between prior experience and a firm's export performance?* This study propounds that the relationship between prior experience and a firm's export performance heavily depends on the entrepreneur's global vision. Earlier studies are replete with inconsistent results of the relationship between prior experiences and international performance. For instances, Manolova et al. (2002), Watson et al. (2003), Evangelista (2005), Haber and Reichel (2007) and Farmer, Yao, and Kung-Mcintyre (2011) have highlighted positive associations between prior experience and firm performance. In contrast, Davidsson and Honig (2003), Thai and Chong (2008), Federico et al. (2009), Dimov (2010) and Nowiski and Rialp (2013) reported non-significant relationships between prior experience and firm performance. Most recently, both Ahmed and Brennan (2019) and Mostafiz et al. (2019a, 2019b) reported a non-significant role of entrepreneur's prior experience in the low-tech apparel industry context. These inconsistent results proffer that the benefit of having prior experience has not uniformly been the case, and suggest that the relationship of prior experience with firm performance requires interactions.

This study contributes first to the literature on HC by bridging the relationship between prior experience and the global vision of entrepreneurs and second to the literatures on International Business (IB) and International Entrepreneurship (IE) by explaining the mediating mechanism of global vision between prior experience and export performance. Finally, given that research on global vision is mostly focused on developed countries, another contribution is that this study investigates entrepreneurs' prior experience and global vision in a least-developed country, Bangladesh. Given that most of the least-developed countries have common features such as labour-intensive manufacturing

processes, vulnerable economic systems, and unstable governments, the findings of the study could be generalised to other similar economies with labour-intensive manufacturing industries.

Drawing on data from 332 early internationalising SMEs in the low-tech apparel industry in Bangladesh, we found support for our hypotheses. The theoretical background of the research is presented in Section 2 and the specific research hypotheses are developed in the third section. This is followed by a description of the research methodology and test results. After discussing the results and their implications, the article concludes with limitations and suggestions for further research.

## **2. Background Literature**

### **2.1. Prior Experience and Human Capital Theory**

HC theory has become an alternative approach to defining entrepreneurial capability and skills in both entrepreneurship and IE (Terjesen et al., 2016). It suggests that individuals and societies earn substantial economic returns from investment in people (Sweetland 1996). Although initially developed for estimating employees' income distribution from their investments in HC (Becker 1964), it has been adopted by many disciplines, including entrepreneurship (Cooper et al. 1994; Pennings et al. 1998; Li, Rietveld and Van Stel, 2016). HC is defined as the level of skills, knowledge and abilities developed through investments in education, on-the-job training and work-related experiences (Becker 1964; Gimeno et al. 1997). Coleman (1988) offered the following comprehensive definition: "Just as physical capital is created by changes in materials to form tools that facilitate production, human capital is created by changes in persons that bring about skills and capabilities that make them able to act in new ways" (p. S100).

Two categories of HC, general and specific, have been given various definitions by different scholars (Becker 1994). General HC refers to overall education and practical experience, whereas specific HC pertains to education and experience which is limited in scope and applicable to a particular activity or context (Becker 1975). The entrepreneurship literature discusses entrepreneurs' prior entrepreneurial, industry, managerial, and technical experience (Bates 1990). Although entrepreneurial HC has been thoroughly investigated, there are a number of conflicting findings (Unger et al. 2011). While it is assumed that all types of prior experiences ideally have a strong positive impact on firm performance, scholars disagree as to the impacts of different kinds of prior experience (Kennedy and Drennan 2001; Sandberg and Hofer 1987). For example, while Davidsson and Honig (2003) found that prior managerial

experience does not affect entrepreneurial venturing, Jo and Lee (1996) reported that it is negatively related to performance. Perkins and Murmann (2018) agreed, arguing that prior managerial experience does not directly complement firm performance. Entrepreneurship research emphasises the role of the founding entrepreneur's biographical and psychographic profiles and seems to 'offer little hope of finding the key to improving new venture performance' (Sandberg and Hofer 1987, p. 7). Kennedy and Drennan (2001) reported conflicting results in entrepreneurial HC literature published between 1977 and 2000 and suggested that the major rationale for these conflicting results may be that an entrepreneur's prior experience interacts with organisational and environmental variables to influence performance. Research conducted after 2000 in this area also reported conflicting outcomes (e.g. Davidsson and Honig 2003; Dimov and Shepherd 2005; Hmieleski and Carr 2008). Herron and Robinson (1993), in an attempt to explain the failure to link entrepreneurial HC with performance, proposed a structural, causal model of the relationships. Based on Hollenbeck and Whitener (1988) and Sandberg (1986) they derived 'a psychology-based model' of the relationship between entrepreneurs' HC and venture performance which is indirect, mediated by motivation and moderated by abilities and context. They assert that this model could explain why entrepreneurship researchers have failed to link entrepreneurial characteristics to performance. As entrepreneurial HC is both mediated and moderated by other variables in their causal link to performance, they are likely to display only weak direct associations with performance despite the causal link between them. This model therefore explains why entrepreneur characteristics are insufficient predictors of entrepreneurial performance.

Adner and Helfat (2003) conceptualised HC as managerial HC from a dynamic managerial capability perspective. Teece (2012) argued that managerial HC is closely associated with the entrepreneurial capability development process, while Helfat and Martin (2015) highlighted the importance of HC in capability development mechanisms and demonstrated the importance of both prior managerial and entrepreneurial experiences to mobilise resources and competencies. However, to achieve the desired economic outcomes from mobilised resources, entrepreneurs require the cognitive ability to transform experience into actions (Helfat and Martin 2015). Ployhart and Moliterno (2011) defined HC from the managerial cognitive perspective, naming it 'knowledge, skills, cognitive and other abilities' (KSAO). This conceptualisation of HC was also supported by Wright et al. (2014). Although the nature of HC is contingent upon specific organisational strategic situations, the primary concern is that it be derived from knowledge, skills and experience (Kor et al. 2007). Each type of formation of HC is assumed to be of equal importance for performance improvement. Both Gruber et al. (2012) and Campbell et al. (2012) emphasised that managers require diversified HC, which is not only firm- or industry-specific, to create economic value.

In IE, scholars have categorised entrepreneurs' HC as either objective or subjective (Hutchinson et al. 2006; Evers 2011). Objective HC refers to a founder's possession of prior experiential international work experience, prior industry experience and networks. Other objective capabilities include technical, commercial (marketing) and start-up experience (McDougall et al. 2003). Subjective HC, on the other hand, refers to a founder's proactive opportunity-seeking behaviour, global vision, risk-taking and international orientation (Evers 2011). Global vision has been found to be very common among early internationalising entrepreneurs (Karra et al. 2008). Some researchers have highlighted the importance of indirect relationships between HC and international performance. Smith et al. (1995) and Reuber and Fischer (1997) argued that researchers have placed too much emphasis on the direct relationship between entrepreneur or top management team characteristics and firm international performance without articulating any intervening variables. In this study, in response to scholars' call that indirect relationships be investigated, we have included global vision as a subjective capability of the entrepreneur (Evers 2011). We argue that global vision is a type of 'cognitive capital' (Henry 2004) related to an entrepreneur's international orientation.

## 2.2. Global Vision and Cognitive Capital

IB literature focuses on global mindset, while IE focuses on global vision. The main difference—or link—between global vision and global mindset is that the former is considered a subset of the latter. A global mindset comprises attitudinal and behavioural components and can be measured in terms of entrepreneurs' global vision, proactiveness and commitment to internationalisation. Oviatt and McDougall (1994) described the importance of the global mindset while explaining the cognitive ability of an entrepreneur in an early internationalising firm. Later work by Nummela et al. (2004) elucidating the global mindset received considerable attention in IB literature: they postulated the global mindset as being international entrepreneurs' vision of cultural diversification and openness to promote internationalisation, which will increase the volume of international activities by creating synergy among diversity (Nummela et al. 2004). Two pivotal antecedents are critical for a successful strategic global mindset: a) efficient knowledge structure; and b) global vision (belief system) (Ramsey et al. 2016). Global mindset is considered as a resource and positive skill which drives managers to success internationally (Goxe and Belhoste 2018).

Harveston et al. (2000) defined the global mindset in terms of a founder's proactiveness and vision towards leading and managing their new ventures on international markets. We posit that global vision is a type of cognitive capital, which can be shaped by entrepreneurs' previous experiential knowledge and can convert entrepreneurs' prior knowledge into performance advantages in

international business. Global vision as a type of cognitive HC is more strategic in nature (Crook et al. 2011), as the value it produces is greater than its costs and it is difficult for competitors to imitate or purchase it in the strategic factor market for HC (Amit and Schoemaker 1993). Global vision enhances the organisational capability development process (Laurell et al. 2017), which in turn expedites international transactions for long-term strategic success, such as a firm's international footprint. Successful performance is not inevitable if international entrepreneurs are reluctant to nurture their global vision.

### **3. The Conceptual Model and Hypotheses Development**

HC theory and RBT are complementary in that HC itself is a resource (Ployhart and Moliterno 2011). According to RBT, entrepreneurs' prior experiences and knowledge can be considered a valuable, unique, and hard-to-imitate resource that differentiates winners from losers and those who merely survive in global competition (Peng and York 2001). Because resources are context-based, their value depends on the characteristics of a given environment (Zhou and Li 2010). The mere existence of a bundle of resources (such as prior experiential resources) does not necessarily guarantee a sustainable competitive advantage in the international market (Eisenhardt and Martin 2000; Teece et al. 1997). IE, as a complex area of competition, is radically different from domestic entrepreneurship. Therefore, we posit that global vision includes the necessary context to be linked with prior experience and performance outcomes in an international business setting.

The advantages of prior experience include access to capital and markets that are not obvious or available to those who lack it (Ronstadt 1988). However, Starr and Bygrave (1992) argued that prior experience can have both positive and negative effects: its impact depends on its applicability to a new venture. Gasse (1982) argued that experience may exert two different and opposite effects on firm performance. While it can provide the entrepreneur with necessary guidelines and knowledge beneficial to increased performance, at the same time it may generate hard-to-change habits (inertia) that may hinder adaptation and better performance.

Because global vision enables entrepreneurs to look for new opportunities in international markets, prior experience mediated by global vision is unlikely to promote the inertia that may hinder adaptation to changing environments in international business. Skills and resources must be filtered through cognitive capabilities to produce performance outcomes in international business (Manolova et al. 2002; Ruzzier et al. 2007); otherwise there is no guarantee that they will produce positive results—or any results at all. Unmitigated by entrepreneurs' cognitive capabilities, such resources may even produce negative results.

IE is different from domestic entrepreneurship (McDougall et al. 2003). International markets are more dynamic and more environmentally turbulent; the tastes and preferences of overseas customers differ and thus require specific knowledge which cannot be achieved through operating in or experiencing only one's domestic market. Therefore, we argue that HC tailored to domestic market experience as well as to international business-related expertise (such as international work experience) is necessary but not sufficient for an entrepreneur to successfully internationalise. Past experiences are static in nature because they are mostly firm-specific and serve a general purpose (Gibbons and Waldman 2004): An international entrepreneur requires a more specific and cognitive HC to be able to identify and exploit emerging opportunities in international markets (Mostafiz and Goh 2018). We argue that a global vision can better explain this type of cognitive capital. The global vision of the entrepreneur is also dynamic in nature because it is directly linked to the international business context and represents entrepreneurs' cognitive ability, which is needed to convert static resources into performance advantages. We propose that a global vision is the variable needed to successfully transform experiential resources into performance advantages in international business. Such a cognitive perspective is suggested in IE given its correlational research focus and static research design (Zahra et al. 2005). It also reflects the current task-related knowledge and skills (Gibbons and Waldman 2004) applied to international business.

### 3.1. The Relationship Between Prior Experience and Global Vision

Three entrepreneurial capabilities underpin successful IE: international opportunity identification, institutional bridging, and the capacity for cross-cultural collaboration (Karra et al. 2008). At the core of these capabilities is the entrepreneur's global vision (Karra et al. 2008), which stems from the pre-existing experiences he or she accumulated before founding a firm. Prior entrepreneurial, managerial, industrial and technical experience all help an international entrepreneur to do well in the current international business setting. Prior industry experience grants access to previously established networks and broadens an entrepreneur's network (Barringer et al. 2005). Furthermore, entrepreneurs with prior start-up experience have a more complex and realistic view of their role and what it entails (Farmer et al. 2011). It takes time and persistence for an individual interested in becoming an entrepreneur to generate the cognitive knowledge (e.g., Mitchell et al. 2002) and motivational structures required to successfully identify opportunities and shape subsequent action (Shane and Venkataraman 2000). Davidsson and Honig (2003) found that previous entrepreneurial experience was positively related to the probability of entry into nascent entrepreneurship and making progress in exploiting the opportunity. Similarly, Ucbasaran et al. (2008) found that entrepreneurial

experience allows individuals to identify more opportunities and exploit more innovative opportunities. Prior start-up experience provides tacit and explicit knowledge, role familiarity and social networks which can help the entrepreneur develop a broader vision to do business on a global scale.

Functional or task-related prior experience is essential (Unger et al. 2011) because it can be directly utilised in subsequent start-ups. The HC needed to enhance firm performance is more likely to arise from years of managerial experience in industry (preferably the same as that of the start-up) (Haber and Reichel 2007). Managerial skills are essential to strong venture performance: prior managerial experience in a related industry may broaden an entrepreneur's outlook to the global rather than the domestic or regional sphere. Notably, in Bangladesh's apparel export industry, which is the focus of this study, many entrepreneurs started their careers as employees or managers in an apparel exporting company. They were trained in many or all of the relevant organisational functions and managerial positions and had the opportunity to climb the organisational ladder; in the process, they accumulated supervisory experience which they brought with them to their own start-up, demonstrating that tacit knowledge plays a significant role in industry development (Faroque 2015; Mostafa and Klepper 2018). Entrepreneurs must develop their global vision while they are still working as subordinates in the apparel industry. Collectively, entrepreneurs with such prior experience will have a broader perspective on international business; they will also be more alert to new information and international opportunities. Therefore, we hypothesise that:

H1: Prior experience positively influences an entrepreneur's global vision.

### 3.2. The Relationship Between Global Vision and Export Performance

According to Gabrielsson et al. (2008), global vision is a necessary and sufficient condition for early internationalisation and success. Based on case studies of eight international new ventures in Greece, Norway, Finland and Italy, they proposed that a global vision enables a firm to rapidly enter and penetrate international markets, indicating that global vision is directly related to international performance. Andersson (2000) found that proactive international entrepreneurs were the most important factor explaining why new firms expanded internationally. It is individuals, not organisational routines, which play the most significant role in decision-making in early internationalising firms (Oviatt and McDougall 1997). In fact, for export-oriented manufacturing firms, "having international commitment and possessing intensive global vision" (Mostafiz et al., 2019a, p. 358) will secure sustainable long-term international performance. This emphasises the importance of entrepreneurs' global vision and cognitive ability in international market entry and success. Cognitive ability has



been consistently shown to be a valid predictor of job performance (Hunter and Hunter 1984), a finding which can also be extended to internationalisation performance. Based on the discussion above, we hypothesise that:

H2: Entrepreneurs' global vision is positively related to the performance of early internationalising SMEs.

### 3.3. The Mediating Role of Global Vision

HC is directly and positively related to new venture success (Unger et al. 2011). However, research on the relationship between HC and performance has not produced uniformly consistent results (Sandberg and Hofer 1987). Prior experience can influence performance both positively and negatively (Gasse 1982): For example, it can act as a stumbling block when a situation requires radical strategic change. Jo and Lee (1996) found that although industry experience has a positive influence on performance, the impact of managerial experience is negative. Some scholars have suggested that this inconsistency prevails due to the absence of an intervening construct. Reuber and Fischer (1994) argued that the impact of general HC, such as prior managerial or entrepreneurial experience on performance, might be mediated by a third factor, such as entrepreneurial expertise. We also argue that, in terms of prior experience, HC is static in nature and is therefore not directly related to the export performance of early internationalising firms. We propose that an indirect relationship exists between prior experience and performance through the global vision and cognitive capabilities of the entrepreneur.

Global vision can be thought of as 'intermediate goods' generated by entrepreneurs to enhance the productivity of their HC (Amit and Schoemaker 1993)—it is the intermediate input which links the primary input of prior experience to export performance. As a set of prior experiential resources, HC lacks a dynamic dimension (Foss and Ishikawa 2007), but it allows for the proactive development of dynamic cognitive capability (Wernerfelt 1984)—the global vision of the entrepreneur. While these prior experiences can be instrumental to the early and rapid internationalisation of firms, they are not likely to profit the firm unless they are activated by entrepreneurial and managerial cognitive efforts and motivation (Castanias and Helfat 2001). We argue that prior experience and knowledge is necessary but not sufficient to produce performance outcomes in the dynamic international environment. Although experience gained in one situation can be transferred to another (Nerkar and Roberts 2004), this transfer is not likely to be successful unless interposed by a contextual element or agent. Because organisational performance does not depend on 'how much decision makers know, [but] rather on how they use what they know', the mindful use of prior experience enables an entrepreneur to better anticipate and respond to

unexpected changes and opportunities in a dynamic environment (Rerup 2005, p. 452). This is only possible in IE when entrepreneurs' global vision mediates their prior experience.

Mindfulness is characterised by cognition, updating, and action (Louis and Sutton 1991; Sternberg 2000; Ucbasaran et al. 2003) which is represented by the concept of global vision in this study. Mindless use of prior experience (i.e., its direct impact on export performance) may not always produce success because entrepreneurs with prior experience are (a) narrowly focused with regard to how they perceive problems and seek solutions (Miller 1993), (b) most likely to fail to notice meaningful external changes and modify heuristics which worked in the past (March 1991), and (c) overconfident and tend to overestimate likely outcomes based on previously achieved but narrower experiences (Shepherd et al. 2003). This can further be explained by what Prahalad and Bettis (1986) called 'dominant logic', which they defined as 'the way in which managers conceptualise [their] business and make critical resource allocation decisions' and described as being '*stored via schemas and hence can be thought of as a structure*' (p. 490). This is a worldview of businesses and the administrative tools needed to make decisions and accomplish goals therein. Due to the dominant logic developed through prior experiences, relatively inexperienced entrepreneurs tend to anticipate that any environment they face will be very similar to those they have dealt with in the past (Bettis and Prahalad 1995). Dominant logic developed by prior experiences constrains entrepreneurs' ability to learn and adapt to new environments. If their dominant logic matches the current environment, there is little need to change it: in this sense, prior experiences can produce positive performance outcomes. However, in reality, no two situations are entirely identical, and entrepreneurs must be able to adapt their prior experiences to current contexts (Feldman 2000; Szulanski 2003). Prior experiences may thus fail to have significant direct impact on the export performance of early internationalising SMEs in a dynamic international marketplace, although they can have a significant positive impact when channelled through entrepreneurs' cognitive ability—a global vision specific to international business. The utility and applicability of prior experience and knowledge will be even further limited for early internationalising firms than for their gradually expanding counterparts, as the former anticipate more dynamism in the market due to the liability of their newness. International markets are more dynamic and more environmentally turbulent; the tastes and preferences of overseas customers differ and require specific knowledge which cannot be achieved through operating or experiencing in domestic markets alone. This argument leads us to the following hypotheses:

H3: Entrepreneurs' prior experience is not directly related to the export performance of early internationalising SMEs. Therefore, (H4) the global vision

of the entrepreneur mediates the relationship between prior experience and export performance.

#### **4. Research Methodology**

##### **4.1. Survey Design and Data Source**

We drew data from the export-oriented apparel industry of a South Asian emerging economy, Bangladesh. The industry has emerged as the second-largest apparel exporter in the world after China. While China and its export industries, including apparel, have received much attention in academic research, Bangladesh has been neglected. Compared to China, Bangladesh is a very small country, despite its massive population of 180 million; it has also been beset by political chaos and disorder, and is frequently affected by natural disasters. The country also lacks proper infrastructure and government institutions suitable for the emergence of such a large and thriving industry (Mostafiz et al. 2019b). Despite all this, this industry's success, in the form of the emergence of more than 4500 early internationalising firms ([www.bgmea.com.bd](http://www.bgmea.com.bd)) that are legally bound to make only international sales to benefit from government promotion schemes (Faroque 2015), is indicative of the global vision of local entrepreneurs. This industry provides an exciting platform to study how entrepreneurs' past experience and knowledge is helping them realise performance outcomes by capitalising on their global vision.

Data were collected during face-to-face interviews using a structured questionnaire which we developed based on a literature review and advice from academic experts, and pre-tested with 15 owner-managers. Potential amendments were done based on the experts' comments to achieve consensus. The questionnaire was written in English and translated into Bengali; its accuracy was verified via back translation to ensure 'translation equivalence' (Van de Vijver and Leung 1997). Using a random sampling method, we administered approximately 800 questionnaires among the firms in 2016 and received 390 completed questionnaires from the respondents (49% response rate). Only firms that met the criterion of being an SME (having less than 500 employees) were included. After following this criterion, checking for missing values and going through the rigorous normality test required for structural equation modelling (SEM) using maximum likelihood (ML) estimation, we were left with 332 cases.

To overcome common method variance (CMV), we used several precautions before conducting the survey. The survey instrument was pre-tested; the identities of the respondents were protected; and filtering questions were used to psychologically separate independent and dependent variables (Podsakoff et al. 2003). We also checked for the possibility of CMV using Harman's one-factor

test (Podsakoff et al. 2003) and principal component analysis in SPSS 23. The results of the one-factor analysis revealed a variance of less than 50% (29.32%), indicating that CMV had a minimal effect in this study. We also checked for non-response bias across firm size and age and found no evidence that such bias was present.

The respondents of the study were entrepreneurs (i.e. founders of firms). In some cases, we found it difficult to contact these individuals directly; in these cases, we communicated with the firm's second-in-command, who has the authority to make strategic decisions in the director's absence. These persons hold high positions in the firms, such as managing director, deputy managing director, or general manager. We confirmed that the respondents had sufficient knowledge of the lead entrepreneurs' prior experience and knowledge. Most respondents reported having a close relationship with the entrepreneur. We also conducted a *t*-test to determine whether there were any significant differences between responses provided by lead entrepreneurs and responses by senior managers who answered on the lead entrepreneurs' behalf, but no significant differences were found.

#### 4.2. Measurement

*Prior experience.* Previous research has suggested measuring prior experience by prior entrepreneurial, managerial, technical, industry or international business experience, as well as the entrepreneur's international job experience, before starting the incumbent business (Davidsson and Honig 2003; Freeman et al. 2006; Madsen and Servais 1997; McDougall et al. 2003; Ucbasaran et al. 2008). Respondents were asked to indicate their degree of agreement with the statements representing entrepreneurs' prior experience on a seven-point scale (from strongly disagree to strongly agree) in the following areas: prior entrepreneurial, managerial, industry, technical or functional, and international business experience.

*Global vision.* In the absence of an established multi-item construct of global vision, we used a single-item construct of global vision: The founder(s) consider(s) the whole world as a marketplace rather than the domestic market alone (Gabrielsson et al. 2008; Karra et al. 2008). A seven-point scale was used to indicate respondents' agreement with this statement (from strongly disagree to strongly agree).

*Export performance.* Export performance was measured using the three most commonly used items in the literature: export sales volume, export sales growth and export profitability (Katsikeas et al. 2000). Respondents were asked to rate the performance of their firms over the past three years in terms of these three indicators (seven-point scales ranging from highly dissatisfactory to highly satisfactory).

*Control variables.* We also controlled for several variables by considering their potential influence on export performance. Scholars suggest that a firm's size, age and degree of internationalisation may exert a positive influence on its internationalisation and performance (Zhou et al. 2010). Firm size was operationalised as the number of employees and was log-transformed. Firm age was operationalised as the number of years the firm has been in business. The degree of internationalisation was operationalised by the number of overseas markets the firms export to. The details of the measures used in this study are presented in Table 1.

Table 1. Measurement scales and properties

<i>Constructs / items</i>	<i>Standardized loadings</i>	<i>Critical ratio</i>
<i>Entrepreneurs' prior experience (Alpha=0.742; CR=0.80; AVE=0.50; MSV=0.213)</i>		
The founder(s) has prior entrepreneurial experience before starting this business.	0.600	
The founder(s) has prior managerial experience before starting this business.	0.761	9.315
The founder(s) has previous industry experience before starting this business.	0.656	8.687
The founder(s) has prior experience in a technical or functional area before starting this business.	0.600	7.994
The founder(s) has prior international business experience before starting this business.	0.693	8.193
<i>Global vision</i>		
The founder(s) consider(s) the whole world as a marketplace rather than the domestic market only.*	-	-
<i>Export performance (Alpha=0.71; CR=0.74; AVE=0.49; MSV=0.268)</i>		
Export sales growth	0.761	
Export sales volume	0.710	5.844
Export profitability	0.502	5.271

## Notes:

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

CR=Composite reliability; AVE=Average variance extracted

\* *Single item, not applicable.*

## 5. Data Analysis and Results

The hypothesised relationships between and among the constructs require that all the constructs be measured simultaneously. We therefore deemed structural equation modelling (SEM) to be appropriate, as it allows a variable to act both dependently and independently. We used AMOS 23 software for this purpose. SEM requires two steps in data analysis: (a) measurement model estimation, which relates the constructs to the measures; and (b) structural model estimation, which relates the constructs to each other.

### 5.1. Measurement Model Estimation

Convergence in the measurement model is considered a prerequisite of structural estimation as a matter of logical necessity (Bagozzi 1981). Scholars have suggested various fit indices for SEM analysis; of these, chi-square for the measurement model is significant ( $\chi^2 = 201.167$ ,  $df = 64$ ,  $p < 0.001$ ) which is very common for large sample sizes (Bentler and Bonett 1980). We also used the following additional fit indices: goodness-of-fit (GFI = 0.943), comparative fit (CFI = 0.914) and incremental fit (IFI = 0.916). All of the fit indices achieve the minimum level of adequacy (fit indices  $> 0.90$ ) (Sharif et al. 2018). Furthermore, we calculated the root mean square error of approximation (RMSEA), which assesses fit and incorporates a penalty for lack of parsimony, thereby preventing the false impression of good model fit which may result from other fit indices (Sharif et al. 2018). An RMSEA below 0.08 indicates a good fit (MacCallum et al. 1996); our measurement model has an RMSEA of 0.058.

Construct validity is a necessary condition for theory development and testing (Peter 1981), and reliability is a necessary condition for construct validity (Peter 1979). We assessed construct reliability using composite reliability (CR) and confirmed that a minimum value of 0.70 is desirable (Bagozzi 1981) (Table 1). Convergent validity was confirmed by the large and significant standardised loadings of each item on the corresponding construct. Discriminant validity was determined (Table 2) using the procedure suggested by Fornell and Larcker (1981).<sup>2</sup>

Table 2. Correlations between constructs, means, and standard deviations

Construct	Mean	SD	(1)	(2)	(3)
(1) Prior experience	4.331	1.05	<b>0.71</b>		
(2) Global vision	5.447	1.04	0.270	-	
(3) Export performance	4.83	0.935	0.348	0.193	<b>0.70</b>
Control variables					
Firm age	8.35	5.693	0.271	0.230	0.248
Firm size	234.27	161.09	0.227	0.211	0.208
Market coverage	1.801	0.856	0.250	0.302	0.314

Notes:

Diagonal is the square root of the average 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.

Number of observations is 332.

- 
- Issues of discriminant validity could be eliminated if the AVE (Average Variance Extracted) value of the construct is higher than MSV (Maximum Shared Variance) values (Fornell and Larcker 1981).

## 5.2. Structural Model Estimation

All the constructs used in this study were simultaneously estimated in a structural equation model using the ML estimation method in AMOS 23. Despite a significant chi-square value ( $\chi^2 = 127.391$ ,  $df = 46$ ,  $p < 0.001$ ), the other fit indices (GFI = 0.936, CFI = 0.908 and IFI = 0.910) and an RMSEA of 0.048 demonstrated that the final structural model fits the data well (Sharif et al. 2018). The data presented in Table 3 represent the ML parameter estimates, including the direct, indirect and total effects estimated using the bootstrapping method with 1000 re-samples.

Table 3. Standardized direct, indirect and total effects of exogenous variables in the model

	Type of Effect	Global vision		Export performance	
		Beta	c.r.	Beta	c.r.
Prior experience	Direct	0.443	4.873	0.080	0.906
	Indirect	-	-	0.085	1.70
	Total	0.443	4.873	0.165	1.99
Global vision	Direct	-	-	0.192	2.149
	Indirect	-	-	-	-
	Total	-	-	0.192	2.149
Control variables					
	Firm age			0.014	0.836
	Firm size			0.207	2.379
	Market coverage			0.315	2.983

Note: Critical t-value (5%, one-tailed) = 1.645. Hence, a c.r. (critical ratio) higher than 1.645 means significant at 5% level (one-tailed).

Number of observations is 332.

All the hypothesised relationships were supported in this study. As predicted by hypothesis H1, the results confirmed that prior experience is directly related to an entrepreneur's global vision ( $\beta = 0.443$ ;  $p < 0.05$ ). Hypothesis H2, which predicted that global vision is positively related to export performance, was also confirmed ( $\beta = 0.192$ ;  $p < 0.05$ ). Hypothesis H3 predicted that there is no direct significant relationship between prior experiences and export performance and was confirmed ( $\beta = 0.080$ ;  $p > 0.05$ ). Finally, hypothesis H4, which predicted an indirect relationship between prior experience and export performance through the global vision of the entrepreneur, was also confirmed ( $\beta = 0.085$ ;  $p < 0.05$ ). These results confirm that entrepreneurs' global vision mediates the relationship between prior experience and export performance. With regard to the control variables, firm size and market coverage were found to be significantly related to export performance ( $\beta$ 's are 0.207 and 0.315;  $p < 0.05$  respectively); and the effect of firm age on performance was found to be non-significant ( $\beta = 0.014$ ;  $p > 0.05$ ).

## 6. Discussion and Implications

The results provide important and interesting implications for the understanding of theory pertaining to early internationalising firms in IE. The fundamental question we addressed in this study is: *What role does global vision play in the relationship between prior experience and a firm's export performance?* We propose that the global vision of entrepreneurs mediates the relationship between prior experiences and export performance. *First*, the results show that there is no significant direct relationship between prior experiences and export performance, which confirms the previous findings of Ahmed and Brennan (2019), who also reported a non-significant direct relationship between general HC (e.g. founder's education and international experience) and the early internationalisation of start-ups. From a strategic management perspective, Staw et al. (1981) argued that previous work or entrepreneurial experience builds habitual rather than adaptive behaviours. More experienced entrepreneurs with significant prior entrepreneurial, managerial, industrial, technical/functional, international business and job experience tend to be more cautious when it comes to exploiting opportunities. *Second*, our results suggest that such prior experience does not guarantee performance in international markets: cognitive capabilities specific and tailored to the international business setting are preferable. The global vision of entrepreneurs acts as a mediating variable (intermediate input) to produce the final output (export performance). Prior experiences might give rise to strategic inertia on the part of the entrepreneur—a habitual reliance on a previously successful business recipe or success formula (Wright and Goodwin 1999). Therefore, a non-significant or even a negative relationship between prior experience and export performance may prevail (Gasse 1982; Jo and Lee 1996). To overcome cognitive inertia resulting from prior experiences, entrepreneurs must focus on their cognitive capability: global vision, the capability to see the world through a global lens. As Hodgkinson and Wright (2002, p. 950) suggested: "... strategists should periodically engage in processes of reflection and dialogue, in order to challenge their otherwise taken-for-granted beliefs and assumptions regarding the strategic imperatives confronting their organisations, with a view to broadening their perceptions. The aim of such an exercise is to attain the requisite variety in mental models necessary in order to anticipate the future and develop a strategically responsive organisation, thus mediating the potentially deleterious impact of cognition on action."

### 6.1. Implications

This study provides potential implications for managers as well as policymakers. Our results indicate that entrepreneurs and managers in early internationalising firms need to engage in regular dialogue and reflection within their organisation



in order to challenge their assumptions and broaden their perspective to achieve export performance. Gupta and Govindarajan (2002) suggested that companies can cultivate a global vision by facilitating the development of knowledge of diverse cultures and markets at the individual level and by building diversity in terms of a company's workforce. The former will bring cognitive diversity to the orientation of individuals, while the latter will assemble a diverse organisation-wide knowledge base. Entrepreneurs should recruit managers with a background in and knowledge of diverse cultures and markets to ensure an organisation-wide impact. If entrepreneurs find a potential manager with no sufficient knowledge of multiple cultures but with prior experience, such candidates should be given proper training and orientation within the organisation to cultivate a global vision at the individual level—a process which is slow compared to organisation-wide change (Gupta and Govindarajan 2002).

As entrepreneurs' prior experience is positively related to global vision, which is of utmost importance for achieving performance outcomes, government export assistance can be targeted to potential entrepreneurs who have sufficient prior experience. Our results support Hempel and Sue-Chan's (2010) idea that prior experience enables firms to evaluate how they assimilate information in order to optimise their performance. To directly influence export performance, public policymakers must also provide support in those areas in which entrepreneurs lack expertise—especially in strengthening the global vision of entrepreneurs. Academic institutes could offer IE courses and training programmes, which could in turn broaden entrepreneurs' confined vision. Several types of specific assistance programmes, such as trade fairs and foreign trade missions, can also be instrumental in extending apparel manufacturers' global vision. Denis and Depelteau (1985) reported that participation in trade fairs and trade missions is associated with export market diversification. Participation in such fairs and missions can help upgrade apparel entrepreneurs' cognitive ability and global vision. Interaction with potential foreign buyers will help entrepreneurs and managers develop their global vision because this vision is developed through the process of interacting with people and the environment (Gupta and Govindarajan 2002).

## **7. Conclusion, Limitations, and Future Research Directions**

This study aimed to bridge the disconnection between prior experience, global vision and the export performance of early internationalising SMEs. We examined the apparel exporting SMEs of Bangladesh, a least-developed country in South Asia, which is currently the world's second-largest apparel exporter. This study contributes to the existing literature on HC in IB and IE, especially in the early internationalisation of firms, by providing empirical evidence on the

impact of prior experience on entrepreneurs' global vision, which in turn enhances their firms' export performance.

Although this study offers several contributions to the study of export and manufacturing, it is not free from limitations, which leaves space for future research. First, due to the lack of a well-developed multi-item and multidimensional global vision construct, we used a single-item construct which may be limited in scope. Scholars can examine specific cognitive abilities, which may better reflect entrepreneurs' wider and holistic 'global vision'. In addition to entrepreneur's prior experiences, other entrepreneur- and firm-specific factors may also have an impact on early internationalising firms' performance. While we controlled for some key firm-related factors, other factors relating to entrepreneurs' HC and performance, such as environmental dynamism and industry dynamics (Lumpkin and Dess 2001), may also be considered in future studies. As most governments offer a wide range of assistance programmes for exporters—especially Bangladesh to its apparel export businesses (Faroque and Takahashi 2015)—future research should also control for government assistance and assess how governmental assistance moderates the relationship between entrepreneurs' HC and performance. In low-tech industries such as apparel, networking and process innovation also play an important role (Faroque, Morrish and Ferdous 2017), which could be linked to entrepreneurs' prior experience and global vision. Furthermore, domestic environmental conditions characterized by high uncertainty may encourage entrepreneurs to become international at an early stage (Dimitratos et al. 2004), as could high export market dynamism and uncertainty (Boso et al. 2013; Lisboa et al. 2013), which would be an interesting future research agenda in such a research setting. Kennedy and Drennan (2001) also noted that conflicting results of prior experience may be due to the fact that an entrepreneur's prior experience interacts with organisational and environmental variables to influence performance. Hence, future research should investigate the moderating influence of organisational and environmental variables.

Finally, this study employed a cross-sectional research design which cannot fully capture the dynamic aspects of the constructs used. A longitudinal research design is therefore suggested. Although Crook et al. (2011) used a meta-analysis to show that cross-sectional research appears to capture the HC-performance relationship as effectively as longitudinal research, this does not mean that longitudinal studies do not provide valuable insights.

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## **Publication II**

Faroque, A. R., Mostafiz, M. I., Faruq, M. O., & Bashar, M. F.  
**Re-visiting entrepreneurial capabilities and export market orientation: a multi-scale  
investigation in an emerging economy**

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# Revisiting entrepreneurial capabilities and export market orientation: a multi-scale investigation in an emerging economy

Revisiting  
capabilities and  
export market  
orientation

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## Abstract

**Purpose** – The study aims to bridge entrepreneurial capability, export market orientation and the international performance of international new ventures (INVs). Thus, multi-scale entrepreneurial capabilities have been adopted to provide more profound insights into the literature on early internationalisation. Since little is known about the antecedents of export market orientation, the performance outcome of this is ambiguous. This study aims to enhance knowledge in this pressing research area.

**Design/methodology/approach** – The sample of this study consists of data (354 firms) from INVs operating in the apparel industry of an emerging economy, namely, Bangladesh. Structural equation modelling has been used to investigate the hypothesised relationships.

**Findings** – For the Deshpandé and Farley (1999) scale, the effect of general entrepreneurial capability on intelligence dissemination and responsiveness is positively significant. Similarly, the effects of international entrepreneurial capability on customer orientation, intelligence generation, dissemination and responsiveness are positively significant. However, general entrepreneurial capability has non-significant effects on customer orientation and intelligence generation. The results also showed that export market orientation positively mediates the relationship between international entrepreneurial capability and firm performance. For the Morris and Paul (1987) scale, the hypothesised relationships between capabilities and market orientation are positively significant and, therefore, support the mediating relationships for both general entrepreneurial capability and international entrepreneurial capability.

**Originality/value** – Merely having capabilities without acknowledging the firm's strategic orientations is not sufficient to secure superior performance. The authors urge entrepreneurs to capitalise on their entrepreneurial capabilities to leverage organisation-wide export-market-oriented behaviour to achieve superior international performance in emerging economies.

**Keywords** Emerging economy, Entrepreneurial capability, Export market orientation, Export performance, International new ventures

**Paper type** Research paper

## Introduction

The globalised world has changed the realities of how businesses are operated currently. The pace of globalisation, aided by advanced transportation systems, Internet and communication technologies and falling trade barriers between and among countries, has paved the way for foreign market entry for many small companies from day 1. International business activity, even its least committed form – exporting – is an



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entrepreneurial act (Ibeh, 2003), which is initiated by an entrepreneur and hinges upon his/her entrepreneurial capabilities in the case of small and medium-sized enterprises (SMEs). Especially, international new ventures (INVs), which are small in size and young in age, are mainly underpinned by a single entrepreneur or a small team of entrepreneurs (Oviatt and McDougall, 1997). Entrepreneurial capabilities broadly define the start-up, survival and success of such firms. By contrast, large multinationals' (MNEs) activities are performed in a very organised and structured manner, because large departments and teams are involved in entrepreneurial activities, which are known as intrapreneurship. MNE-oriented models and research, therefore, mainly focus on organisational capabilities rather than those of any individual. MNE-based capability theory cannot explain and define the capabilities inherent in the emergence and prevalence of INVs, where entrepreneurs are the main actors and their leadership style is a critical antecedent to market orientation (Harris and Ogbonna, 2011a). The compelling forces of globalisation have required firms to become more market-oriented. Market orientation is much more important than any other type of entrepreneurial strategic orientations (e.g. learning orientation, innovation orientation, technology orientation, etc.), in the sense that all other orientations may be driven by or spring up from market orientation, resulting from customers' changing needs, demands, preferences and priorities. In the case of exporting firms from emerging economies, market orientation is increasingly playing a pivotal role in a firm's market entry, survival and success (Chi and Sun, 2013). Thus, the export market orientation construct was developed, with most research on this topic being undertaken in Western countries.

The first study on the operationalisation of market orientation and its impact on business profitability dates back to 1990 (Narver and Slater, 1990). Since then, a large body of research on the performance implications of market orientation has developed (Kirca *et al.*, 2005; Liao *et al.*, 2011), suggesting that firms with higher market orientation perform better (Kirca *et al.*, 2005). In line with this field, academic enquiries into the market orientation–performance relationship in the international business context started in the late 1990s (Cadogan *et al.*, 1999), and only a few issues related to market orientation have been answered thus far. Most studies concern the performance outcome of market orientation in international business (Faroque, 2015; He *et al.*, 2018; Yayla *et al.*, 2018), keeping aside the antecedents to market-oriented behaviour (Chi and Sun, 2013). The determinants (i.e. antecedents) of export market orientation must be investigated, because these help owner-managers know how to influence the development and deployment of a market-oriented culture within their firms (Cadogan *et al.*, 1999). While some scholars argue that the leadership styles of entrepreneurs could be critical antecedents to market orientation, the same research stream advances conflicting arguments for such influence, positively and negatively impacting these styles (Harris and Ogbonna, 2001b). We argue instead that entrepreneurial capabilities (those that are more general as well as those that are specific to an international business setting) are the most critical antecedents to the market-oriented cultures of firms and the behaviours of managers. Table 1 presents the relevant literature in light of the research gap.

Studies investigating the role of market orientation in INVs are still in their infancy (e.g. Kocak and Abimbola, 2009; Kropp *et al.*, 2006; Madsen *et al.*, 2015; Ruokonen, 2008). Most INV research rests on small samples and firms in technology and knowledge-intensive industries from developed countries. INVs are mostly located in these industries, because product standards are internationalised and, thus, are less constrained by national boundaries (Spence *et al.*, 2011). While research findings indicate that most INVs exist in high-tech industries, the findings are not representative of reality. Many low-tech firms, especially those in developing countries, join the global marketplace just after their inception or soon thereafter. There are even some particular types of low-tech industries in these countries,

where most firms are INVs. The apparel export industry of Bangladesh, an emerging economy, is one such case that is rather common among developing countries.

There are several conceptualisations and operationalisations of the general market orientation and export market orientation constructs; however, there is no study that investigates the properties of the different scales that have been developed for the same construct, including their differential impact on performance. Previous research also overlooks how entrepreneurial capabilities play significant roles in the development of export-market-oriented culture and the performance of export manufacturing firms in the context of emerging economies. This research attempts to fulfil this research gap. This study investigates two scales of export market orientation, including their sustenance and differential impact. While there is some research that shows the cross-cultural validity of individual scales for both market orientation (Deshpandé and Farley, 1998) and export market orientation (Cadogan *et al.*, 1999), no studies have investigated the validity of two separate scales for export market orientation. Doing so will give researchers an idea of whether difference scales for a construct behave equally and reliably. Since we used two scales in the same study, we made it simple and convenient for the respondents. Thus, we adopted two of the most concise scales of market orientation (Deshpandé and Farley, 1999; Morris and Paul, 1987) in the context of internationalisation, which have gained some universal characteristics in a different research context (Frishammar and Andersson, 2009).

Furthermore, despite the call for studies on entrepreneurship and international entrepreneurship (IE) in emerging countries (Mostafiz *et al.*, 2019a, b), progress towards integrating knowledge from these economies is very minimal, because it is mostly dominated by research in Chinese contexts (Knight and Liesch, 2016). There is also an absence of research and knowledge in the literature pertaining to low-tech firms venturing into the global marketplace. This study aims to contribute to the literature by investigating the role of the entrepreneur's two sets of entrepreneurial capabilities, which he/she uses in the development of market-oriented behaviour within firms to achieving higher international performance. This study thus contributes to the theoretical development of general entrepreneurial capabilities (Ucbasaran *et al.*, 2008), international entrepreneurial capability (Dimitratos and Plakoyiannaki, 2003; Karra *et al.*, 2008; Madsen and Servais, 1997), market orientation (Kohli and Jaworski, 1990; Narver and Slater, 1990; Cadogan *et al.*, 1999) and the literature on early internationalisation, especially in the context of emerging economies (Knight and Liesch, 2016).

## Theoretical background

### *Entrepreneurial capabilities*

Previous research has identified several categories of capital, for example, human, social, physical, financial, organisational and so on. All these dimensions have limitations in reflecting the entrepreneurial capabilities of entrepreneurs who first develop new ventures.

	Main focus	Lack of focus	Exemplar studies
EMO research	Performance outcomes	Antecedents	Faroque (2015); Gruber-Muecke and Hofer (2015); He <i>et al.</i> (2018); Yayla <i>et al.</i> (2018)
(International) Entrepreneurial capability research	Internationalisation	EMO	Karra <i>et al.</i> (2008); Zhang <i>et al.</i> (2017); Zhang <i>et al.</i> (2009)

**Table 1.**  
Research focus and gap in IE

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Erikson (2002) perceived of entrepreneurial capabilities as entrepreneurial capital, which is understood as a set of complementary human capacities treated as a heterogeneous resource. It has been derived from the resource-based view (RBV), which suggests that capabilities which are valuable, rare, difficult to imitate and have few substitutes can be the basis for sustained competitive advantage (Barney, 1991). Erikson (2002) extended Ulrich's (1998) definition of intellectual capital as a multiplicative function of competence and commitment to entrepreneurial competence and entrepreneurial commitment. Entrepreneurial competence is the ability to perform some specific tasks that include the capability to identify opportunities, acquire requisite resources and establish ventures. On the other hand, entrepreneurial commitment reflects the emotional, intellectual and physical energy employed to achieve an implicit or explicit entrepreneurial goal or strategy.

Day (1994) distinguishes capabilities from assets. Organisational capabilities are classified into three categories: inside-out, outside-in and spanning. As we noted earlier, the capabilities perspective explains MNE cases but cannot do the same for cases of small firms, especially INVs. However, we can adopt this classification of capabilities to describe the entrepreneur. Inside-out capabilities include an entrepreneur's previous work, industry and technical experience as well as previous entrepreneurial and international experience. These inside-out capabilities help entrepreneurs to perform necessary activities within the firm, including product delivery, cost control, integrated logistics and human resource management. On the other hand, an entrepreneur's outside-in capabilities include networking (to build relationships with customers, suppliers and other network partners), a proactive attitude and global vision. These capabilities connect the entrepreneur's inside-out capabilities to the firm's external environment and allow him/her to anticipate changes in the environment relative to the customer, competition, channel bonding and technology monitoring. They are market-sensing capabilities, which are embedded in the entrepreneur's network relationships (Day, 1994). Finally, spanning capabilities integrate inside-out and outside-in capabilities. Product innovation and new product development are examples of such capabilities (Lisboa *et al.*, 2011).

Research on and the operationalisation of entrepreneurial capabilities rest on a parochial view of capabilities. Though most inquiries in IE encircled the prior experience of entrepreneurs in establishing a new venture, other human and social capital has largely been overlooked. We suggest that there are two sets of entrepreneurial capabilities. One is general, and the other is international. General entrepreneurial capabilities consist of prior entrepreneurial, managerial and technical experience (Ucbasaran *et al.*, 2008). On the other hand, international entrepreneurial capabilities include international business experience, networking and the proactive, risk-taking and innovative capabilities of the entrepreneur (Dimitratos and Plakoyiannaki, 2003; Karra *et al.*, 2008; Madsen and Servais, 1997). In addition, we add the global vision of the entrepreneur to the latter set of capabilities, because global vision is at the core of international entrepreneurial capabilities (Gabrielsson *et al.*, 2008; Goxe and Belhoste, 2019; Karra *et al.*, 2008).

#### *Export market orientation*

The marketing concept is one of the building blocks of marketing discipline. While the marketing concept refers to business philosophy, the implementation of this philosophy, as reflected in the activities and behaviour of an organisation, is called market orientation (Kohli and Jaworski, 1990). Based on their literature review and research findings, Kohli and Jaworski (1990) offer a formal definition of market orientation: "the organisation-wide generation of market intelligence about current and future customer needs, dissemination of intelligence across departments, and organisation-wide responsiveness to it" (p. 6). Traditionally, consumers have been the main focus of a market orientation, which has been extended to market forces, such as competition, technology and regulation. It gives a broader

perspective to conceptualising market orientation (Jaworski and Kohli, 1993). In line with this conceptualisation, market intelligence does not merely refer to gathering information on customers and competitors, but also pertains to a host of other factors, such as technology, government regulation and other environmental factors. While Kohli and Jaworski (1990) defined market orientation from behavioural aspects, Narver and Slater (1990) include both philosophical and behavioural aspects, which are operationalised by behavioural facets alone (Cadogan and Diamantopoulos, 1995). The behavioural aspect is defined as “the organisational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers” (Narver and Slater, 1990, p. 21). According to them, market orientation consists of three behavioural components: customer orientation, competitor orientation and inter-functional coordination. These perspectives are not mutually exclusive; instead, they are complementary.

The operationalisation of the market orientation construct, with most research concerning this operationalisation, was initially based on firms’ domestic operations. Both the increasing importance of international operations for firms’ survival and the changing reality of global business have compelled researchers to operationalise the concept and to investigate its impact on organisational performance from an international business perspective (Enderwick, 2009; Gruber-Muecke and Hofer, 2015). This export market orientation, as defined by Cadogan and Diamantopoulos (1995), is based on the two dominant views of market orientation offered by Narver and Slater (1990) and Kohli and Jaworski (1990) on the ground that “the basic nature of the construct should not be affected as a result of merely modifying the setting in which it is applied” (Cadogan and Diamantopoulos, 1995, p. 50). Additionally, authors add that some contextual variables should be included to best reflect the challenges faced in the international business setting.

Kirca and Hult (2009) identified three research streams in the market orientation literature, and we observed a similar pattern in our research on export market orientation. The first stream conceptualises and measures a firm’s market orientation (Kohli and Jaworski, 1990; Narver and Slater, 1990) and export market orientation (Cadogan and Diamantopoulos, 1995; Cadogan *et al.*, 1999). The second stream identifies the antecedents and consequences of market orientation in domestic markets (Gebhardt *et al.*, 2006; Matsuno *et al.*, 2002) and those of market orientation in international business settings (Cadogan *et al.*, 2002; Chi and Sun, 2013; Faroque, 2015; He *et al.*, 2018; Rose and Shoham, 2002; Yayla *et al.*, 2018). Finally, the third stream investigates the contextual variables in the market orientation–performance relationship in both domestic markets (Slater and Narver, 1994) and international markets (Faroque, 2015; He *et al.*, 2018; Murray *et al.*, 2011; Rose and Shoham, 2002)

#### *Hypotheses development*

This research model is drawn on the capability approach to market orientation (Day, 1994; Kwon and Hu, 2000) and the market-oriented approach to organisational performance (Kohli and Jaworski, 1990; Narver and Slater, 1990; Cadogan *et al.*, 1999). We have used two different scales of market orientation (Deshpandé and Farley, 1999; Morris and Paul, 1987) and two different models to investigate the antecedents and differential outcomes. The conceptual model indicates that an entrepreneur’s general and international entrepreneurial capabilities influence organisation-wide market-oriented behaviour, and in turn, export-market-oriented behaviour leads to higher export performance. This model also assumes that there is a direct positive association between an entrepreneur’s capabilities and export performance.

#### *Entrepreneurial capabilities and export market orientation*

The role of top management in an organisation-wide market-oriented culture is emphasised in the literature. Top management shapes the values and orientation of an organisation (Webster, 1988). Organisational outcomes, both strategic and performance,



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are viewed as reflections of the background characteristics of powerful actors in the organisation (Hambrick and Mason, 1984). Consequently, top management values and cognitive bases have a positive association with the market orientation of a firm (Day, 1994; Narver and Slater, 1990). Kwon and Hu (2000) used Day's (1994) framework, linking capabilities with market orientation and eventually with organisational performance. Day (1994) proposed a model of the capabilities of market-driven organisations and linked capabilities with better performance. The level of market orientation is derived from the organisational capabilities (Kwon and Hu, 2000) and eventually leads to greater performance outcomes (Hernández-Linares *et al.*, 2018; Mahrous and Genedy, 2019).

The emergence and development of SMEs largely depend on entrepreneurs. The role of an entrepreneur's human and social capital has been investigated and partially confirmed by Davidsson and Honig (2003). This role of the entrepreneur is intensified even more when they decide to enter a foreign market, especially when the firm is younger. Unlike traditional incremental internationalising firms, INVs start with a proactive international strategy, even though they start with only one or a few entrepreneurs and employees (Madsen and Servais, 1997). INVs are found to be highly customer-oriented and flexible as well as able to adapt its products to quickly changing market needs and demands (Rennie, 1993). The background and characteristics of the entrepreneur significantly influence the speed of learning within and the internationalisation and development of INVs (Madsen and Servais, 1997; Oviatt and McDougall, 1997). An INV approach thus requires entrepreneurs to have developed distinctive entrepreneurial capabilities and prudence to recognise international market opportunities (Faroque, 2015; Knight and Cavusgil, 1996; Madsen and Servais, 1997; McDougall *et al.*, 1994; Mostafiz *et al.*, 2019b).

McDougall *et al.* (2003) argued that an entrepreneur's international experience plays an essential role in INV internationalisation. Many founders and managers of INVs have gained international experience and competence during previous work experiences (Madsen and Servais, 1997; Oviatt and McDougall, 1997), which help the firm to enter foreign markets successfully (Jones, 2001; Reuber and Fischer, 1997). Andersson (2000) found that a proactive international entrepreneur was the most important factor, explaining why new firms expanded internationally. Furthermore, INVs, which are primarily young and most frequently small, require entrepreneurs and top managers to meet with their overseas customers (Tefom and Lutz, 2006). It is the individuals, not the organisational routines, that play a significant role in making decisions in INVs (Oviatt and McDougall, 1997). It emphasises the entrepreneurial capability of the INV entrepreneur in market entry and success (Mostafiz *et al.*, 2019a).

We propose that entrepreneurs' general and international entrepreneurial capabilities may influence the development of market-oriented behaviours within firms in international markets. General entrepreneurial capabilities – represented by prior entrepreneurial, managerial, industry and technical expertise – essentially influence, develop and assist the market-oriented behaviour of managers and other employees. In addition, international entrepreneurial capabilities – manifested by an entrepreneur's prior international business experience, network, proactive attitude towards seeking opportunity, risk-taking and commitment, innovativeness and global vision – also influence and enhance organisation-wide market orientation. Entrepreneurs are the authentic leaders of the firms, making a long-lasting imprint on both the employees (Jensen and Luthans, 2006) and the organisational culture (Schein, 1983). Market orientation, as part of the organisational culture of INVs, is developed by the founders' prior experiences, skills, knowledge and capabilities. Entrepreneurs' previous experiences and obtained

relevant capabilities therefore define, structure, encourage and enhance organisation-wide market-oriented culture and behaviours. Thus:

- H1a.* General entrepreneurial capabilities are positively related to export market orientation
- H1b.* International entrepreneurial capabilities are positively related to export market orientation

#### *The mediating role of export market orientation*

The empirical body of literature on the positive relationship between market orientation and performance is substantial (Deshpandé and Farley, 1999; Kohli and Jaworski, 1990; Morris and Paul, 1987; Narver and Slater, 1990). Kirca *et al.* (2005) found that the existing literature provides a strong positive association between market orientation and performance ( $r = 0.32$ ,  $p < 0.05$ ). In addition, market orientation is found to positively affect various measures of performance, for example, overall business performance, profits, sales and market share. Research related to market orientation in international business also confirmed this positive link. Akyol and Akehurst (2003) found a positive relationship between export market orientation and export performance in the Turkish clothing industry. They also reported that the dimensions of export market orientation have a strong relationship with each dimension of export performance. Other studies confirmed this in a different country and a multiple industry setting (Filatotchev *et al.*, 2009; He and Wei, 2011; Murray *et al.*, 2011; Rose and Shoham, 2002). Research on INVs also confirmed a positive relationship between market-oriented behaviour and the entrepreneurial performance of these firms (Faroque, 2015; Kocak and Abimbola, 2009; Kropp *et al.*, 2006; Ruokonen, 2008).

Previous studies have widely contributed to the mediation mechanism of market orientation. Recently, Liu *et al.* (2011) proved the mediating role of export market orientation between ownership and firms' internationalisation process. They argue that merely having ownership is not sufficient for a firm to achieve an efficient internationalisation process; however, the positive behaviour of the top management team towards developing the capacity of market orientation is beneficial. The firm should continuously learn from the market, and Kraft and Bausch (2016) provide evidence on the mediating role of market orientation between learning orientation and the innovative performance of the firm. Market orientation also plays a significant positive mediating role in the relationship between the information technology capability of the firm and market performance. Market orientation helps firms to deal with environmental turbulence by developing capabilities (Qureshi and Kratzer, 2011). Furthermore, it allows firms to translate innovation capability into firm performance (Ashrafi and Zare Ravasan, 2018). Hence, entrepreneurs are required to utilise their capabilities to translate knowledge related to the market and to create economic value for the firms. Despite an entrepreneur's pivotal role in envisioning the firm and charting future directions for it, the entrepreneur will fail to translate the vision and policies into organisational success without employee support and participation (Jensen and Luthans, 2006). Therefore, to realise the performance benefits of an entrepreneur's general and international entrepreneurial capabilities, the market-oriented behaviours of managers and employees need to be developed and deployed. Market-oriented capabilities and behaviours essentially play a critical role in the relationship between an entrepreneur's capabilities and export performance. In other words, the positive relationship between an entrepreneur's capabilities and the firm's international performance depends on the processes, systems and values embedded in market-oriented behaviours. Therefore, we have hypothesised that:

- H2a.* Export market orientation positively mediates the relationship between general entrepreneurial capability and export performance

**Research methods***Research design and samples*

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In this study, a sample of 800 exporters was randomly generated from the exporters' directories of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA). In total, approximately 10,000 firms are registered with BGMEA and BKMEA. We physically visited the firms and distributed the questionnaires. A similar approach to the data collection process was conducted by [Mostafiz et al. \(2019a, 2019b\)](#) in this research context. We collected and managed 390 questionnaires, which was a response rate of about 49%. The key informant of the study was the founder/entrepreneur of the firm. In a few cases, we encountered difficulties with contacting the founders/entrepreneurs due to their busy schedules. In those cases, we communicated with the second-in-command, who was responsible for making all major strategic decisions in the absence of the entrepreneurs. These persons usually hold the position of managing directors or deputy managing directors of the firms; as such, they are themselves capable and can describe the capability of the organisation's founder/entrepreneur. This particular process helped to control the social desirability bias in this study ([Chandler and Hanks, 1994](#)). Finally, we also conducted an anonymity check, by which a third person reviewed the response provided by either the founder or the managing director to help the data be more accurate, as guided by [Zahra and Covin \(1995\)](#). In most cases, these persons hold the position of deputy managing directors or general managers of the firm. A data cleaning process was conducted before finalising the sample. We conducted the Mahalanobis *D-square* test ( $p < 0.001$ ) to identify potential outliers. Furthermore, Mardia's coefficient multivariate kurtosis was conducted. We found 36 extreme cases. These cases were removed, and finally, 354 cases were carried forward for statistical analyses.

*Common method bias variance*

We have taken several steps to minimise common method bias variance (CMV), including protecting the respondent and the firm as well as removing the psychological separation in the questionnaires ([Chang et al., 2010](#)). This ensures that items relating to the variables would not be located as dependent or independent variables in the questionnaire. Furthermore, two statistical tests were conducted to identify the effects of CMV. First, 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. In the model with [Deshpandé and Farley \(1999\)](#) scale, all components with eigenvalues higher than 1.00 were identified. These components accounted for 59.36% of the variance, with the largest component accounting for only 38.82%. In the model with the [Morris and Paul \(1987\)](#) scale, the components were identified, and they accounted for 62.91% of the variance, with the largest component accounting for only 28.63%. For both cases, the percentage of variance values for the first component was less than 50%. The result indicates that the effect of CMV is minimal ([Fuller et al., 2016](#)). Second, a single latent factor analysis was conducted to identify the effect of CMV. Using the [Deshpandé and Farley \(1999\)](#) scale, all items were loaded to a single latent factor in AMOS 24. The results were:  $\chi^2 = 5636.339$ ,  $df = 1378.86$ ; and with the [Morris and Paul \(1987\)](#) scale, the results were  $\chi^2 = 7462.339$ ,  $df = 1149.29$ . Both results are significantly different from the results of the Chi-square and the degree of freedom of the

measurement and of the structural model. Therefore, no evidence of CMV was detected in either model.

## Measurement

### *Entrepreneurial capability*

Two types of entrepreneurial capabilities are assessed in this study. First, the general entrepreneurial capability construct is operationalised by the prior (1) entrepreneurial, (2) managerial, (3) technical and (4) industry experience of the entrepreneur before he/she started his/her own business (Ucbasaran *et al.*, 2008). The international entrepreneurial capability construct was developed, based on the items used by Zhang *et al.* (2009) and the findings of Karra *et al.* (2008). Zhang *et al.* (2009) developed multidimensional measures of capability; however, in their later study, they proposed unidimensional measures (Zhang *et al.*, 2017). In this study, we conceptualise international entrepreneurial capability as a unidimensional construct (with six items). The construct includes six specific capabilities of entrepreneurs as (1) prior international business experience, (2) global vision, (3) networking, and (4) innovative, (5) proactive and (6) risk-taking capabilities.

### *Export market orientation*

There are several market orientation measures used frequently by researchers in the management and international business contexts (Deshpandé and Farley, 1999; Kohli and Jaworski, 1990; Narver and Slater, 1990). From the original market orientation scales, researchers developed an export market orientation scale (Cadogan *et al.*, 1999). Many studies applied the original market orientation scales without consideration of the cross-cultural differences and complexities in an international business setting. We operationalise export market orientation with the two most widely accepted scales in international business, proposed by Deshpandé and Farley (1999) and Morris and Paul (1987). Compared to other established scales, these two are more widely accepted and are relatively easy to understand for the respondents, requiring less time to complete. These scales have gained some universal characteristics in a different research context (Frishammar and Andersson, 2009).

Deshpandé and Farley's (1999) scale includes nine items, which mostly explain customer satisfaction, customer needs, the quality of the products and services, disseminate information among departments and so forth. On the other hand, Morris and Paul's (1987) scale includes market research, new product development, creativity, an innovative idea and a strategic approach to satisfy the customer needs. Together, both scales focus on intelligence generation, dissemination and responsiveness for achieving success in market performance.

### *Export performance*

Measuring performances in early internationalising and small-medium firms are always complicated. It is challenging to collect objective data in this type of research context, because entrepreneurs are reluctant to provide sufficient information regarding performance. Hult *et al.* (2008) provide a guide with which to capture the value of firm performance through a subjective measurement scale, especially in international business and small- to medium-sized entrepreneurial firms. In this study, the export performance was measured by (1) export sales volume, (2) export sales growth and (3) export profitability, which are the indicators of export performance used most in the international marketing literature (Katsikeas *et al.*, 2000). All of the items in this study, including independent and dependent variables, are measured on a seven-point Likert scale, where 1 represents strongly disagree and 7 represents strongly agree. We have included three control variables to control the boundary condition of the baseline model and to allow for a better delineation of the

relationships proposed in this study. Firm age (operationalised as the number of years since the firm's establishment), firm size (number of employees) and foreign market coverage (number of markets exporting to) are used to control the effects of the correlations between all exogenous and endogenous variables (Gerschewski *et al.*, 2015).

### Data analysis and results

#### Exploratory factor analysis

We ran the exploratory factor analysis (EFA) to determine the number of factors in each model. Tables 2 and 3 highlight the results of EFA. We computed both analyses by using the maximum likelihood (ML) estimation with a varimax rotation. In the first analysis, Deshpandé and Farley's (1999) scale was loaded to the EFA analysis. Five factors were identified in this analysis. Deshpandé and Farley's (1999) scale of market orientation produced two factors. Factor 1 had five items and factor 2 had four. The items in factor 1 mostly expressed the orientation to the customer as well as the development of intelligence. Therefore, we termed factor 1 as "customer orientation and intelligence generation". Factor 2 expressed the firm's activities, as related to the dissemination of information and the

Constructs/items ( $n = 354$ )	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
<i>General entrepreneurial capability</i>					
Item 1	0.648				
Item 2	0.596				
Item 3	0.638				
Item 4	0.688				
<i>International entrepreneurial capability</i>					
Item 1		0.768			
Item 2		0.677			
Item 3		0.649			
Item 4		0.699			
Item 5		0.721			
Item 6		0.692			
<i>Export market orientation</i>					
D&F Factor 1					
Customer orientation and intelligence generation					
Item 1			0.677		
Item 2			0.598		
Item 3			0.731		
Item 4			0.738		
Item 5			0.673		
D&F Factor 2					
Intelligence dissemination and responsiveness					
Item 1				0.733	
Item 2				0.718	
Item 3				0.747	
Item 4				0.735	
<i>Export performance</i>					
Item 1					0.831
Item 2					0.827
Item 3					0.849

**Table 2.** Exploratory factor analysis with Deshpandé and Farley (1999) scale

**Note(s):** Factor loading is significant at  $p < 0.05$  level

Constructs/items ( <i>n</i> = 354)	Factor 1	Factor 2	Factor 3	Factor 4
<i>General entrepreneurial capability</i>				
Item 1	0.659			
Item 2	0.589			
Item 3	0.638			
Item 4	0.617			
<i>International entrepreneurial capability</i>				
Item 1		0.739		
Item 2		0.741		
Item 3		0.736		
Item 4		0.727		
Item 5		0.741		
Item 6		0.739		
<i>Export market orientation</i>				
M&P Export marketing orientation				
Item 1			0.684	
Item 2			0.632	
Item 3			0.683	
Item 4			0.657	
Item 5			0.648	
Item 6			0.629	
Item 7			0.691	
<i>Export performance</i>				
Item 1				0.834
Item 2				0.847
Item 3				0.851

**Table 3.** Exploratory factor analysis with Morris and Paul (1987) scale

**Note(s):** Factor loading is significant at  $p < 0.05$  level

responsiveness to the market; hence, we named it “intelligence dissemination and responsiveness”. In the second model, Morris and Paul’s (1987) scale was used for the EFA analysis. The results provided a unidimensional measure of Morris and Paul’s (1987) scale, with seven items. None of the items in the EFA analysis showed a factor loading below 0.50. Therefore, we have not deleted any items in this study (Gerbing and Hamilton, 1996).

*Descriptive statistics*

Tables 4 and 5 represent the correlation, mean, standard deviation, normality and multicollinearity of the constructs. We have also collected data on the age of the firm. The result reveals that only 10% of the firms are 10 years of age and older. This particular result meets the criteria of being INVs, as suggested by Oviatt and McDougall (2005). The authors posit that the firm’s age in a study of INVs should not exceed ten years. Because firms which are 10 years of age and above considered mature international firms, and they are not likely INVs formed by international entrepreneurs. The correlation results show that the constructs are adequately correlated. The skewness and kurtosis values are in between +2 and -2, which indicate the normal distribution of data (Hair et al., 2010). Finally, the variance inflation factor (VIF) value of each construct is less than 5.0, indicating a minimum level of collinearity between constructs (Graham, 2003).

*Reliability and validity*

The reliability of the constructs was assessed by Cronbach’s alpha, composite reliability (CR) and average variance extracted (AVE). The alpha and CR values far exceeded the

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Construct	(1)	(2)	(3)	(4)	(5)
(1) General entrepreneurial capability	0.735				
(2) International entrepreneurial capability	0.569	0.714			
(3) Customer orientation and intelligence generation	0.377	0.417	0.73		
(4) Intelligence dissemination and responsiveness	0.418	0.424	0.117	0.774	
(5) Export performance	0.464	0.471	0.540	0.241	0.70
Mean	23.45	38.61	31.57	23.54	16.43
Standard deviation	2.59	3.05	2.94	2.18	1.42
Skewness	0.939	-1.326	-0.448	0.395	1.540
Kurtosis	0.492	-0.583	0.593	0.947	-0.295
VIF	1.59	2.43	1.96	1.98	2.64

**Note(s):** 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 4.**  
Correlation between  
constructs, means and  
standard deviation  
Deshpande and Farley  
(1999) scale

Construct	(1)	(2)	(3)	(4)
(1) General entrepreneurial capability	0.735			
(2) International entrepreneurial capability	0.569	0.71		
(3) Export marketing orientation	0.520	0.559	0.70	
(4) Export performance	0.462	0.469	0.566	0.70
Mean	23.45	38.61	43.76	16.43
Standard deviation	2.59	3.05	3.67	1.42
Skewness	0.939	-1.326	0.463	1.540
Kurtosis	0.492	-0.583	-0.829	-0.295
VIF	1.59	2.43	2.87	2.64

**Note(s):** 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 5.**  
Correlation between  
constructs, means and  
standard deviation  
Morris and Paul  
(1987) scale

recommended threshold of 0.70. The values of AVE also met a minimum of 0.50 or closer. The factor loading for each individual item on its respective construct was statistically significant ( $p < 0.001$ ). All unidimensional factors and no further cases of cross-loading suggested the convergent validity of the constructs. The discriminant validity of the constructs was assessed in two ways. First, the correlation of the two constructs is less than the square root of the AVE estimates of the two constructs (Fornell and Larcker, 1981). Second, each possible pair of constructs was collapsed into a single construct, whose fit was compared with that of the original model (Anderson and Gerbing, 1988). Chi-square difference tests in all cases support the two-factor unconstrained model and provide adequate proof of discriminant validity. Overall, the results suggest that the measurement model fits the data well, and the constructs show adequate validity and reliability. Table 6 reports the measurement scales and properties, along with factor loadings, alpha, CR and the AVE of the constructs.

#### Hypotheses test

To analyse the hypothesised relationships between and among the constructs, models were estimated using AMOS 24 and the ML estimation method. We ran two different models with two different market orientation scales. Table 7 provides the fit indices for the models, which use two different scales of market orientation. It shows that both the measurement and

Constructs/items ( <i>n</i> = 354)	Standardised loadings	Revisiting capabilities and export market orientation
<i>General entrepreneurial capability (Alpha = 0.703, CR = 0.727, AVE = 0.592)</i>		
Item 1. The founder(s) of this firm has prior entrepreneurial experience (prior own business) before starting this business. (Mean = 5.316; SD = 1.69)	0.658	
Item 2. The founder(s) has managerial experience before starting this business. (Mean = 5.539; SD = 1.166)	0.701	
Item 3. The founder(s) of this firm has previous industry experience before starting this business. (Mean = 5.379; SD = 1.422)	0.686	
Item 4. The founder(s) has expertise in a technical or functional area before starting this business. (Mean = 4.65; SD = 1.276)	0.633	
<i>International entrepreneurial capability (Alpha = 0.749, CR = 0.793, AVE = 0.571)</i>		
Item 1. The founder(s) has prior international business experience before starting this business. (Mean = 5.061; SD = 1.33)	0.694	
Item 2. The founder(s) has networking capability to build relationship with suppliers, customers and other network partners abroad. (Mean = 4.810; SD = 1.37)	0.615	
Item 3. The founder(s) actively explores new business opportunities in international markets. (Mean = 4.671; SD = 1.36)	0.713	
Item 4. The founder(s) of the firm has undertaken significant and risky resource commitments for international business. (Mean = 5.04; SD = 1.46)	0.698	
Item 5. The founder(s) is very innovative (in terms of creative ideas, products, process, problem-solving, etc. in international business). (Mean = 4.781; SD = 1.53)	0.701	
Item 6. The founder(s) considers the whole world as a marketplace rather than the domestic market only. (Mean = 5.063; SD = 1.37)	0.639	
<i>Export market orientation</i>		
D&F Factor 1		
Customer orientation and intelligence generation (Alpha = 0.734, CR = 0.768, AVE = 0.532)		
Item 1. We monitor customers and competitors to find new ways to improve customer satisfaction in international markets. (Mean = 4.824; SD = 1.41)	0.655	
Item 2. Our strategy for competitive advantage in international markets is based on our understanding of customers' needs. (Mean = 5.012; SD = 1.39)	0.651	
Item 3. We always encourage our overseas customers to assess the quality of our products and services. (Mean = 4.027; SD = 1.30)	0.667	
Item 4. We measure overseas customer satisfaction in a formal/ informal manner. (Mean = 5.261; SD = 1.46)	0.679	
Item 5. I believe this business exists primarily to serve customers in international markets. (Mean = 5.693; SD = 1.46)	0.604	
D&F Factor 2		
Intelligence dissemination and responsiveness (Alpha = 0.749, CR = 0.762, AVE = 0.639)		
Item 1. Information on overseas customer satisfaction is disseminated at all levels in our company. (Mean = 5.048; SD = 1.69)	0.621	
Item 2. We are more customer-focussed in international markets than our competitors. (Mean = 5.326; SD = 1.22)	0.903	
Item 3. Our international business objectives are driven primarily by overseas customer satisfaction. (Mean = 5.711; SD = 1.14)	0.672	
Item 4. We have formal/informal measures of customer service	0.639	
<i>M&amp;P Export marketing orientation (Alpha = 0.751, CR = 0.767, AVE = 0.521)</i>		
Item 1. We regularly perform marketing research. (Mean = 5.521; SD = 1.37)	0.692	
Item 2. We give strong emphasis on customer satisfaction. (Mean = 5.489; SD = 1.51)	0.664	
Item 3. New product development is critical to our firm. (Mean = 5.039; SD = 1.36)	0.732	
Item 4. Marketing is critical to our firm. (Mean = 5.241; SD = 1.42)	0.701	
Item 5. Marketing/sales are the areas where creativity, new ideas and new approaches are the most important. (Mean = 4.91; SD = 1.36)	0.649	
(continued)		

**Table 6.**  
Measurement scales and properties



Constructs/items ( <i>n</i> = 354)	Standardised loadings
Item 6. Marketing/sales generate most new product/service ideas. (Mean = 5.087; SD = 1.87)	0.652
Item 7. Marketing has a significant impact on the strategic direction of the firm. (Mean = 5.180; SD = 1.74)	0.657
<i>Export performance (Alpha = 0.749, CR = 0.773, AVE = 0.508)</i>	
Item 1. Export sales volume (Mean = 5.918; SD = 1.39)	0.757
Item 2. Export sales growth (Mean = 5.963; SD = 1.18)	0.774
Item 3. Export profitability (Mean = 5.954; SD = 1.40)	0.684
<b>Note(s):</b> All standardised coefficient loadings are significant at $p < 0.01$ CR = Composite reliability; AVE = Average variance extracted D&F: <a href="#">Deshpande and Farley (1999)</a> scale M&P: <a href="#">Morris and Paul (1987)</a> scale	

**Table 6.**

structural models exhibit a good model fit for our models, which use two scales. The results of the structural model are presented in [Table 8](#) (Model 1) [Table 9](#) (Model 2) for the [Deshpandé and Farley \(1999\)](#) and [Morris and Paul \(1987\)](#) scales, respectively. In addition to direct effects (hypothesised relationships), we estimated the indirect (mediated) and total effects of the exogenous variables on relevant endogenous variables, with a 90% confidence level.

In Model 1, which has the [Deshpandé and Farley \(1999\)](#) scale, the direct effect of general entrepreneurial capability on customer orientation and intelligence generation is non-significant ( $\beta = 0.096, p > 0.01$ ); however, the effect on intelligence dissemination and responsiveness is significant ( $\beta = 0.183, p < 0.001$ ). Therefore, for the [Deshpandé and Farley \(1999\)](#) scale, **H1** is partially supported. Furthermore, the effects of international entrepreneurial capability on customer orientation and intelligence generation as well as intelligence dissemination and responsiveness are significant ( $\beta = 0.253, p < 0.001; \beta = 0.201, p < 0.001$ , respectively). Therefore, for [Deshpandé and Farley's \(1999\)](#) scale, **H2** is significant. In the [Morris and Paul \(1987\)](#) scale, the effects of both capabilities on export market orientation are significant ( $\beta = 0.501, p < 0.001; \beta = 0.248, p < 0.001$ ). Therefore, for [Morris and Paul's \(1987\)](#) scale, **H1** and **H2** are both significant. For the mediating analysis, we performed bootstrapping with 5,000 re-sampling by using AMOS 24 ([Hair et al., 2010](#)). For the [Deshpandé and Farley \(1999\)](#) scale, the results show that customer orientation and intelligence generation (but not intelligent dissemination and responsiveness, due to their non-significant relationship with performance) positively mediate the relationship between

Fit indices	<a href="#">Deshpandé and Farley (1999)</a>		<a href="#">Morris and Paul (1987)</a>	
	Measurement model	Structural model	Measurement model	Structural model
$\chi^2$	587.639	643.51	481.752	542.693
df	329	332	261	278
$\chi^2/df$	1.784	1.937	1.84	1.95
RMSEA	0.049	0.051	0.046	0.050
GFI	0.926	0.927	0.926	0.912
AGFI	0.901	0.898	0.901	0.896
CFI	0.906	0.923	0.900	0.899
TLI	0.900	0.900	0.902	0.901
IFI	0.917	0.924	0.910	0.902

**Table 7.**  
Fit indices for measurement and structural models with [Deshpandé and Farley \(1999\)](#) and [Morris and Paul \(1987\)](#) scales

Revisiting capabilities and export market orientation

Exogenous variables	Type of effects	Endogenous variables				Export performance	
		Customer orientation and intelligence generation		Intelligence dissemination and responsiveness		Beta	c.r.
		Beta	c.r.	Beta	c.r.	Beta	c.r.
General entrepreneurial capability	Direct Effect	0.096 NS	1.473	0.183***	2.429	-0.109 NS	-0.908
	Indirect Effect	-	-	-	-	0.064 NS	1.221
	Total effect	0.096 NS	1.473	0.183***	2.429	0.073 NS	0.618
International entrepreneurial capability	Direct effect	0.253***	2.839	0.201***	2.373	0.102 NS	1.282
	Indirect effect	-	-	-	-	0.148***	2.918
	Total effect	0.253***	2.839	0.201***	2.373	0.253**	2.419
Customer orientation and intelligence generation	Direct effect	-	-	-	-	0.469***	6.958
	Indirect effect	-	-	-	-	-	-
	Total effect	-	-	-	-	0.469***	6.958
Intelligence dissemination and responsiveness	Direct effect	-	-	-	-	0.075 NS	0.961
	Indirect effect	-	-	-	-	-	-
	Total effect	-	-	-	-	0.075 NS	0.961

**Table 8.** Standardised direct, indirect and total effects of exogenous variables in Model 1 [Deshpande and Farley \(1999\)](#) scale

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

Exogenous variables	Type of effects	Endogenous variables		Export performance	
		Export market orientation	c.r.	Export performance	c.r.
		Beta	c.r.	Beta	c.r.
General entrepreneurial capability	Direct effect	0.501***	3.973	0.03 NS	0.654
	Indirect effect	-	-	0.273***	3.267
	Total effect	0.501***	3.973	0.201**	2.091
International entrepreneurial capability	Direct effect	0.248**	2.882	0.106 NS	1.172
	Indirect effect	-	-	0.097 NS	1.036
	Total effect	0.248**	2.882	0.215**	2.058
Export market orientation	Direct effect	-	-	0.536***	6.794
	Indirect effect	-	-	-	-
	Total effect	-	-	0.536***	6.794

**Table 9.** Standardised direct, indirect and total effects of exogenous variables in Model 2 [Morris and Paul \(1987\)](#) scale

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

the international entrepreneurial capability and export performance of the firm ( $\beta = 0.469$ ,  $p < 0.001$ ). However, for [Morris and Paul's \(1987\)](#) scale, the results show that export market orientation mediates the relationships between general entrepreneurial capabilities and

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export performance as well as between international entrepreneurial capability and export performance for the firms. Finally, we find that all three control variables are controlling the correlations between endogenous and exogenous variables.

### Discussions and implications

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Our results affirm the existing export market orientation–performance relationship in the international marketing literature and, particularly, studies on both apparel exporters (Akyol and Akehurst, 2003; Chi and Sun, 2013; Faroque, 2015) and exporters in emerging economies (He and Wei, 2011; Kwon and Hu, 2000; Murray *et al.*, 2011). This study has contributed to the literature in the following ways. First, we attempted to bridge entrepreneurs' capabilities and marketing-oriented behaviour and activities. In doing so, we have contributed to the development of knowledge on general entrepreneurial capability (Ucbasaran *et al.*, 2008) and international entrepreneurial capability (Dimitratos and Plakoyiannaki, 2003; Karra *et al.*, 2008; Madsen and Servais, 1997). More specifically, we have established the sources of market and marketing-oriented behaviour – that is, where this behaviour is rooted – thus contributing to Kohli and Jaworski (1990), Narver and Slater (1990) and Cadogan *et al.* (1999). Entrepreneurs who are rich in both general and international entrepreneurial capabilities can impinge upon the organisation-wide market and marketing orientation and thus indirectly help firms to achieve financial returns in export markets. Second, unlike other studies that showed a direct link between export market orientation and performance, we built on the capability–resources–performance perspective, showing that export-market-oriented behaviour and resources fully mediate the relationship between an entrepreneur's capability and performance. Finally, the two different scales for export market and marketing orientation reveal that they are complementary, not contradictory. Two dimensions of the Deshpandé and Farley (1999) scale lend support to other multidimensional constructs used in export market orientation research (Cadogan and Diamantopoulos, 1995; Cadogan *et al.*, 1999).

We found that general entrepreneurial capability in both Models 1 and 2 is not directly related to export performance. Our results (more specifically, those in Model 2) can be explained by the problems associated with the adaptation logic to new capability creation in entrepreneurial firms. Endogenous strategic and structural adaptation by developing and deploying capabilities has been widely used in the organisation and entrepreneurship literature (Levinthal, 2000; McMullen and Shepherd, 2006). Capabilities refer to a firm's capacity to deploy a set of resources and processes to achieve the desired goal (Amit and Schoemaker, 1993). According to the RBV, such capabilities are sources of sustainable competitive advantage (Prahalad and Hamel, 1990). However, Collis (2006) argues that they are not always sources of the "holy grail" (p. 144), because RBV holds on the assumption that others cannot imitate such capabilities (Barney, 1991). Moreover, organisational capabilities are embedded in firm routines, and these routines are a product of the organisation as an entire system (Nelson and Winter, 1982). Organisational capabilities reside in the corporate culture and network of employee relations (Collis, 2006) and are not vested in or articulated by a single individual, whether an entrepreneur or a manager (Teece, 1982). It suggests that an entrepreneur's entrepreneurial capability is not enough for achieving superior organisational performance; our results also support this view. Capabilities reside in the entire organisation. To influence performance outcomes, an entrepreneur's capabilities need to be channelled through this novel organisational process, which in this study has been achieved through the market-oriented capability of the whole organisation.

Furthermore, general entrepreneurial capabilities are general and broad in terms of prior entrepreneurial, managerial, industry and functional experience, as they are not necessarily specific to the international business context. Therefore, this set of

entrepreneurial capabilities is better positioned to influence export performance through the mediation of market-oriented behaviour and capability. The entrepreneurship literature also focusses on the prior experiences of entrepreneurs, considering them as the sources and foundations of firms' capabilities (Helfat and Lieberman, 2002).

Entrepreneurs import routines that they know from their previous professional and entrepreneurial roles, and these routines are reused, modified or recombined through behavioural adaptation (Helfat and Peteraf, 2003). This approach fails to explain the process of development and deployment of new capabilities that go beyond imported routines. Autio *et al.* (2011) offer two explanations for this failure. First, the direct reuse of routines emerging from the entrepreneur's professional or entrepreneurial past will often have limited applications, because these routines have been developed in a particular environment. Second, the behavioural adaptation of *de novo* routines may appear to be insufficient for forming new capabilities in an unknown and radically changing environment. Such unknown and changing environmental conditions are best captured by dynamic capabilities (Tece *et al.*, 1997), which involve adaptation and change over time. The earlier discussion can explain our non-supported hypothesis of the relationship between an entrepreneur's general capabilities and export performance. Also, the categories for an entrepreneur's international entrepreneurial capabilities capture the dynamic nature of these capabilities, such as proactive, networking and innovative; however, they are more focussed on recognising and exploiting international business opportunities and achieving global market performance (Zhang *et al.*, 2009) rather than financial.

The differential impact caused by two different market orientation scales suggests that we go back to the measurement items used for them. An investigation into the items reveals that Deshpandé and Farley's (1999) scale purely reflects market-oriented behaviour, and the Morris and Paul (1987) scale instead represents marketing orientation. Although market and marketing orientation have been used interchangeably in previous literature, they do not represent the same concept. According to Kohli and Jawarski (1990), there are three main differences between these two concepts. First, the term "market orientation" clarifies that this is not exclusively a concern of the marketing department (Shapiro, 1988). Second, this label is less politically charged, in that it does not escalate the marketing function of the department. Third, the "market orientation" label focusses attention on markets that include customers and the forces influencing them and is consistent with the broader management of market orientation (Park and Zaltman, 1987). In a similar vein, we can argue that market and marketing orientation are different; therefore, it is reasonable to expect a differential impact of these two constructs on export performance and their antecedents. However, the complementary effects of these constructs suggest that both are important, according to different perspectives, and can complement each other. While export market orientation (Deshpandé and Farley scale; Model 1) does not mediate the general entrepreneurial capability–export performance relationship, export marketing orientation (Morris and Paul scale; Model 2) does that. Besides, export market orientation mediates the international entrepreneurial capability–export performance relationship while export marketing orientation fails to do so. Thus the complementarities of two scales are established, and their differential roles signified.

#### *Managerial implications*

Market orientation and marketing orientation are different and thus cause differential impacts. This suggests that entrepreneurs and managers of INVs in the Bangladesh apparel industry should emphasise the development of managers' and employees' market-oriented behaviours as well as marketing capabilities. In the long run, firms' survival depends on the entrepreneur's capability to leverage market-oriented behaviours and marketing capabilities

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and to achieve performance (Diamantopoulos and Cadogan, 1996). INV managers in the apparel industry of Bangladesh, therefore, should not neglect marketing functions or activities by unilaterally focussing only on customer orientation. Cadogan *et al.* (1999) suggested that the determinants (i.e. antecedents) of export market orientation be investigated, because they can be used by owners-managers to shape the market-oriented behaviour of their firms. This study provides guidelines to entrepreneurs and managers in this respect.

Our results suggest that entrepreneurs are the decisive factors in shaping the behaviour of export market and the export-marketing-oriented behaviours of INVs. The managers of INVs should capitalise on the entrepreneur's general and international entrepreneurial capabilities to strengthen the market and marketing-oriented behaviour throughout an organisation, which would, in turn, facilitate greater performance achievement in export markets. Our non-significant findings concerning the entrepreneur's capabilities and export performance also indicate that to achieve greater financial performance, entrepreneurial capabilities are not sufficient on their own. Entrepreneurs need to delegate more autonomy to INV managers and to play a very instrumental role in building a strong market- and marketing-oriented culture. The managers are the main actors in exercising market- and marketing-oriented behaviours, through which they can realise greater performance in export markets. Therefore, because an entrepreneur's prior experience and capabilities cannot be influenced and developed by national policies, public policymakers should target INV managers, rather than entrepreneurs, to influence market- and marketing-oriented behaviour (i.e. the direct determinant of export performance), which will then help firms create greater export performance.

#### *Limitations and future research*

Like any other research, this study has some potential limitations. First, it employs a cross-sectional research design, which cannot capture the change in the dynamic nature of the market orientation and capabilities constructs, let alone their impact on the change in business performance (Kwon and Hu, 2000). Longitudinal research may provide a better understanding of the constructs and their relationships. Second, we have only used financial performance measures to link entrepreneurial capabilities and market/marketing-oriented behaviours. Future research could adopt both financial and non-financial/strategic measures. Third, we used Deshpandé and Farley's (1999) and Morris and Paul's (1987) scales due to their simplicity, as there are fewer items in the constructs. Other established scales (such as the one developed by Cadogan and his colleagues) could be used to show the link between capabilities and performance outcomes. Finally, this research was undertaken in an emerging country's particular industry; therefore, the generalisability of the findings to other countries and industries might be limited.

#### **Conclusion**

The study bridges the gap between entrepreneurial capability, export market orientation and the international performance of INVs. Because MNE-based capability theory cannot explain and define the capabilities inherent in the emergence and prevalence of INVs – in which entrepreneurs are the main actors and their leadership style is a critical antecedent to market orientation (Harris and Ogbonna, 2011b) – we investigated entrepreneurial capabilities as antecedents to the export market oriented behaviour and the export-marketing-oriented behaviour of organisations. Multi-scale entrepreneurial capabilities (general and international) have been used to provide more profound insights to the literature on early internationalisation. The use of multi-scales of market and marketing orientation shows the

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complementarity of different scales in an international context. The non-significant direct effects of entrepreneurial capabilities and the significant mediating role of market/marketing orientation suggest that such individual-level capabilities need to be mediated by organisation-wide market- and marketing-oriented capabilities and behaviours to achieve the performance advantage enabled by entrepreneurial capabilities in INVs.

Revisiting  
capabilities and  
export market  
orientation

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## **Publication III**

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**Microfoundations of network exploration and exploitation capabilities in international opportunity recognition**

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## Microfoundations of network exploration and exploitation capabilities in international opportunity recognition

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## ABSTRACT

While international entrepreneurship (IE) recognizes opportunity recognition (OR) as a central activity and the prominent role of network capabilities in OR, it is not informative as to how different network capabilities influence OR in international markets. We utilize dual network capability through the lens of exploration-exploitation to better understand how these two different capabilities influence the identification of international opportunities. Given that microfoundations perspective and prior experience in IE are under-developed and under-theorized, we explore founder's prior experience as an essential microfoundation for the dual network capability. By employing structural equation modeling on a sample of 647 early internationalizing firms from a developing country, the study demonstrates that founders' prior experience is a significant microfoundation of dual network capability in international OR. However, both exploration and exploitation capabilities fail to bring new opportunities in a changing market environment. A post-hoc analysis reveals that at a higher level of market change, younger firms benefit more from network exploration, whereas older firms achieve greater success when leveraging benefits from network exploitation. The study concludes with implications and future research avenues.

## 1. Introduction

International entrepreneurship (IE) has been defined as “the discovery, enactment, evaluation, and exploitation of opportunities across national borders” (Oviatt & McDougall, 2005, p. 540), and therefore the recognition of international opportunities lies at IE's core. The discovery and assessment of international opportunities can be network-driven (Chandra, Styles, & Wilkinson, 2009; Nowiński & Rialp, 2016), and network-assisted recognition of international opportunities might explain early and rapid internationalization (Mort & Weerawardena, 2006). This network-based view of international opportunity has a greater relevance especially for mature industries (such as apparel), characterized by lower knowledge intensity. In mature industries, products are easily imitable; therefore, competition is intense, and most firms risk failing under cost and competition pressures (Hirsch-Kreinsen, 2008). With greater changes in trade policies across borders and customers' demands and competitors' strategies, firms in these industries are facing far more challenges, which necessitates them to rely more on networking to recognize opportunities in international markets (Galan

& Torsein, 2020).

Several of the main internationalization models also see networks as drivers of the internationalization process of firms (Johanson & Mattsson, 1988; Johanson & Vahlne, 2009). However, the knowledge of how networks from a capability perspective affect an internationalizing firm's entrepreneurial activities—especially those related to international opportunity recognition (OR)—is limited: As Jones, Coviello, and Tang, 2011, p. 643) have noted, “research on the nature and impact of a dynamic networking capability is warranted.” While some recent studies have since highlighted how network-related organizational capabilities impact firms' internationalization (e.g., Weerawardena, Mort, Liesch, & Knight, 2007), “research on capabilities needs microfoundations” (Gavetti, 2005, p. 599) because micro-level origins may play an important role in the evolution of organizational capabilities (Fein & Foss, 2005). Wilden, Hohberger, Devinney, and Lavie (2018) call for uncovering the microfoundations of exploration and exploitation specifically by extending the two notions to new domains. Literature on this topic does not significantly ensure a conclusive picture, and the antecedents of these capabilities remain unclear (Almahendra & Ambos,

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2015).

An entrepreneur's prior experience may serve as an essential microfoundation for network capabilities in identifying international opportunities (Lafuente, Vaillant, Vendrell-Herrero, & Gomes, 2019). Every entrepreneur has a set of idiosyncratic knowledge, experience, and skills that essentially constitute his/her mental model that he/she contributes while starting a venture and continue affecting a firm's operations (Morris, Kuratko, Schindehutte, & Spivack, 2012). Thus, without a proper understanding of these micro variables, understanding the evolution of a firm's capabilities is difficult. This "human side factors" constitutes microfoundational perspective to advance our collective understanding of networking (Liu, Sarala, Xing, & Cooper, 2017). The motivation for this study arises from these calls, and the purpose of this study is to analyze the microfoundations of network capability in international OR of firms. In doing so, this study contributes to literature in several ways.

First, we contribute to the internationalization literature by invoking microfoundations perspective in network capability development by exploring the individual-level origins of network capabilities (Felin, Foss, & Ployhart, 2015). The results of the present study indicate that entrepreneur's prior experience constitutes an essential microfoundation as an antecedent to network capability. Despite numerous studies indicating that firms develop capabilities from experience, there is a lack of empirical work that would explain how they do so (Bingham, Howell, & Ott, 2019). Thus, the study contributes by taking the interpretation of microfoundations as "bringing individuals back in" (Felin et al., 2015, p. 578), in response to the call to "put the person back into entrepreneurship" (Rauch & Frese, 2007, p. 353), and as "experience at an individual level is under-theorized in IE research" (Jones & Casulli, 2014, p. 47). Although strategy and organization research has made progress on this approach, numerous questions exist regarding the micro-level origins of capabilities (Felin & Foss, 2005; Teece, 2007) and, while entrepreneurship research has somewhat embraced the microfoundation approach (Bryant, 2014), IE has tended to overlook this view until now.

Second, the study contributes by distinguishing between exploration and exploitation type capabilities in IE and international OR: We categorize network capabilities through the exploration and exploitation lenses in line with the exploration–exploitation perspective (March, 1991) and "capability-based view of [an] internationalizing firm" (Teece, 2014). While this exploration–exploitation dichotomy has recently been widely applied in alliance network and alliance portfolio literature (e.g., Lavie & Rosenkopf, 2006; Rothaermel & Deeds, 2004; Yamakawa, Yang, & Lin, 2011), it has not been extended to network research—specifically, network capability and internationalization. Since network capability forms the foundation for entrepreneurial success (Gronum, Verreynne, & Kastle, 2012), the exploration–exploitation dichotomy in network capability may shed new light on the entrepreneurial outcomes such as OR. Indeed, the few recent studies that assess international OR (Andersson & Evers, 2015; Blankenburg-Holm, Johanson, & Kao, 2015; Hillmersson & Papaioannou, 2015) implicitly suggest that network capabilities may be linked to the recognition of international opportunities perhaps through explicating the role that the capabilities for exploring and exploiting network relationships may play in international OR. However, to our knowledge, such a study does not yet exist. That is an omission since developing this dual network capability can be expensive for an internationalizing firm because the process is often highly resource demanding. It is therefore important to understand how firms' abilities to explore and exploit their business network relationships can offer the most favorable outcomes in international markets in general and in their ability to recognize international opportunities in particular. The results of this study demonstrate that international entrepreneurs' earlier experience (i.e., managerial, industry, and technical/functional) increases both network exploration and exploitation capabilities.

Third, this study contributes to the opportunity-based view in

entrepreneurship and IE. The entrepreneurial opportunity, defined herein as the product–market opportunity (Schumpeter, 1934; Singh, 2001), is recognized as a central concept in both entrepreneurship (Short, Ketchen, Shook, & Ireland, 2010) and IE (Etemad, 2015). However, despite the noted importance of network-related capabilities in the field of IE, to our knowledge, no previous studies illustrate the relationship between international OR and network capability. Two specific areas thus far remain unassessed: impact of network capabilities on international OR and the differential internationalization outcomes due to the adoption of different types of networking: exploration and exploitation. As such, we take a cue from strategic entrepreneurship—that posits that entrepreneurial firms must simultaneously practice opportunity-seeking (exploration) and advantage-seeking (exploitation) behaviors (Hoang & Antoncic, 2003; O'Donnell, Gilmore, Cummins, & Carson, 2001; Slotte-Kock & Coviello, 2010).

Given the differences in how activity is focused across network exploration and exploitation, we might specifically anticipate some differences in how firms apply these capabilities in international OR depending upon the changing international market environment. Firms must adjust their strategic postures to match the market change rate (Achrol & Stern, 1988). In this study, we specifically focus on market change—a core environmental feature of internationalization. The market environment is considered to have a prevalent influence upon organizational behavior and the success of organizational activities (Covin & Slevin, 1989), and thus firms should align with market conditions to realize superior performance abroad (Cadogan, Sundqvist, Puumalainen, & Salminen, 2012). The relationship between entrepreneurial activities and performance is also context specific (e.g., Lumpkin & Dess, 1996), and there are likely to be changing market conditions where opportunities are identified as a result of network activities (Arenius & De Clercq, 2005; Wiklund & Shepherd, 2003). Therefore, there exists a potential moderator between organizational factors and entrepreneurial processes such as OR (Short et al., 2010). This environmental element deals with shifts and changes in customer preferences and desires; in stable markets (relative to highly changing markets), customer preferences do not considerably change, and any changes are fairly predictable and certain (Sundqvist, Kyläheiko, Kuitvalainen, & Cadogan, 2012). The main research questions in this study therefore are: (a) What is the impact of entrepreneurial microfoundations of network capability on international OR? and (b) what role does market change play in this process? To investigate these questions, we employ structural equation modeling based on data collected from a low-tech apparel-exporting industry in Bangladesh, a South Asian developing country.

## 2. Literature review

### 2.1. Entrepreneurs' prior experience as a microfoundation of network capability

According to the Cambridge Dictionary, experience is (the process of acquiring) knowledge or skill by doing, seeing, or feeling. The term "experience" is employed very frequently in past entrepreneurship literature and in recent IE literature. Morris, Kuratko, Schindehutte, and Spivack (2012) identify that entrepreneurship scholars define the term "experience" in five ways: as the outcome of involvement in previous entrepreneurial activities (Baron & Ensley, 2006); as the experientially acquired entrepreneurial know-how (Corbett, 2007); as the sum of experiences in a founder's career (Shane & Khurana, 2003); as the collective set of events that constitute the entrepreneurial process (Bhave, 1994); and as the direct experience associated with an entrepreneurial context (Cope & Watts, 2000). However, we use the term "experience" to describe founders' prior knowledge and skills gained through securing managerial position either in the same industry or in a technical or functional area or in both. Researchers are also interested in the quality of experience because entrepreneurs' success and failure

experiences are related to opportunity identification, new venture creation, and reentry (Amankwah-Amoah, Boso, & Antwi-Agyei, 2018; Hsu, Wiklund, & Cotton, 2017; Mueller & Shepherd, 2016).

Recent research has characterized network capability as a dynamic capability. But, most of these studies investigate the impact of dynamic capability from macro level (Abell, Felin, & Foss, 2008; Felin & Foss, 2005), lacking an appreciation of the microfoundations that provide an explanation for the origins and development of dynamic capabilities (Fallon-Byrne & Harney, 2017). Microfoundation is “the underlying individual-level and group actions that shape strategy, organization, and, more broadly, the development of dynamic capabilities” (Eisenhardt, Furr, & Bingham, 2010, p. 1263). Individual is the nucleus of microfoundations. In an organization, the founder-entrepreneur is considered the most influential microfoundation. Research on both dynamic managerial capabilities (Helfat & Martin, 2015) and the importance of upper echelons (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Mason, 1984) suggests that an entrepreneur influences the development of a firm’s dynamic capabilities (Bendig, Strese, Flatten, da Costa, & Brettel, 2018). Owner-managers are likely to have relatively more influence than other individuals of an organization (Mäkelä, Sumelius, Höglund, & Ahlviik, 2012). An entrepreneur might be one person, but his/her actions vastly influence the routines of many organizational members due to his/her power and role model function (Helfat & Martin, 2015).

Founder of a firm brings human capital or resources in the form of his/her own life experiences (Cooper, Gimeno-Gascon, & Woo, 1994), and entrepreneurial ventures rely heavily upon these resources (Brush, Greene, & Hart, 2001). Prior experience and knowledge are considered a resource in a firm and are often explained by the resource-based view (Barney, 1986; Penrose, 1959; Wernerfelt, 1984). Prior experiences as “intangibles” are strategic firm resources that enable a firm to create sustainable value (Kristandl & Bontis, 2007). Entrepreneurs’ experiential knowledge resources establish the initial foundation for competitive advantage and lead to the development of other important resources and capabilities (West & Noel, 2009). All in all, the founder or entrepreneur and his/her experience can be perceived as a microfoundation that serves as an explanation for a capability creation (i.e., as a capability’s origin) (Felin, Foss, Heimelriks, & Madsen, 2012).

## 2.2. Network capabilities from an exploration–exploitation perspective

Individuals and organizations seemingly possess two different focuses regarding activities: exploration and exploitation. This exploration–exploitation tension resonated and was applied in diverse management research areas after it was originally proposed by March (1991) in the organizational learning area. Here, we apply the distinction from the network perspective. A firm’s links with its environment do not constitute evidence of a network unless the focal firm is obviously influenced by the network partners (Joyce, Woods, & Black, 1995). Therefore, the mere existence of a network is not sufficient for accessing network resources; rather, firms must activate the network—whether it be existing or evolving—by its capability. This corroborates with Gilmore and Carson’s (1999, p. 31) definition of a network, in which contribution from network partners is necessary for a network to exist.

Existing network research in entrepreneurship and IE predominantly focuses on the network content, governance, and structure, devoting a considerable amount of discussion to the network types and the importance of strong rather than weak ties without reaching a definitive conclusion. Against this backdrop, a recent phenomenon that defines a network as a dynamic capability appears to be an alternative because network capability—and not the network per se—initiates, develops, and activates network relations and mobilizes network resources, which recent research findings in entrepreneurship and IE also support. Furthermore, exploration and exploitation are the two essential building blocks of dynamic capabilities (Zhan & Chen, 2013). However, merely a few studies in both fields investigate network as a capability and

primarily concentrate on the exploitation of existing ties. Therefore, research that explores the network’s dual capability (exploration and exploitation) is warranted with a process perspective by combining both the antecedents and outcomes of such capabilities (Hoang & Antoncic, 2003; O’Donnell et al., 2001; Slotte-Kock & Goviello, 2010).

Two broad types of different activities between which firms divide attention and resources—exploration and exploitation—have been originally proposed by March (1991). *Exploration* is understood as “the pursuit of knowledge, of things that might come to be known” and *exploitation* as “the use and development of things already known” (Levinthal & March, 1993, p. 105). More specifically, exploitation is an orientation to the short-term, whereas exploration has a more future-based or long-term focus (Bodwell & Chermack, 2010; He & Wong, 2004). Exploitation activities may be directed toward gaining efficiency, while exploration activities promote flexibility within an organization. From the resource perspective, exploration’s success is determined by a firm’s capability to seek, acquire, and attract external resources whereas successful exploitation requires the capability to increase and extend the use of existing internal assets (Hsu, Lien, & Chen, 2013).

While March (1991) initially considered these two capabilities to be fundamentally incompatible, subsequent studies often categorize exploitation and exploration as orthogonal variables that can be simultaneously achieved (Auh & Menguc, 2005; Katila & Ahuja, 2002). The *organizational ambidexterity* concept has thus become a new paradigm in strategic management and organizational science (Kauppila, 2010). However, the exploration, exploitation, and ambidexterity perspectives in IB or IE are relatively new given their traditional focus on exploitation activities (Hsu et al., 2013), with a few recent exceptions (e.g., Lin & Si, 2019; Lisboa, Skarmeas, & Lages, 2013).

## 2.3. Opportunity-based view in entrepreneurship and IE

The discovery of opportunities is entrepreneurship’s core issue (Kirzner, 1973). The classical entrepreneurship school discusses OR’s properties (Cunningham & Lischeron, 1991) because OR is one of the early steps of the entrepreneurial process. Given the opportunity concept’s importance in the mainstream entrepreneurship literature, numerous attempts have been made to define and operationalize opportunity as well as uncover the processes involved in opportunity identification. In this study, in line with Venkataraman (1997), we refer to opportunity as a set of ideas, beliefs, and actions to create an innovative new product/service, to improve an existing product/service, to imitate a profitable product/service in a less-than-saturated international market (Singh, 2001), or to enter a new international market (Schumpeter, 1934). In short, we indicate “opportunity” as a product–market IB opportunity. In the entrepreneurship literature, OR is defined as “the ability to identify a good idea and transform it into a business concept that adds value and generates revenues” (Lumpkin & Lichtenstein, 2005, p. 457).

Since opportunities also exist in international markets (Zahra & Dess, 2001; Zahra & Garvis, 2000), IE researchers address these questions to a certain extent by paying attention to the discovery, evaluation, and exploitation of entrepreneurial opportunities across international borders (Zahra, Korri, & Yu, 2005). Although this construct has received considerable attention in the mainstream entrepreneurship literature, research focus on this issue in IE is marginal (e.g., Kraus, Niemand, Angelsberger, Mas-Tur, & Roig-Tierno, 2017; Mainela, Puhakka, & Servais, 2014). Jones et al. (2011, p. 642) note that “the concept of *opportunity recognition*—is quite new to IE,” and Peiris, Aloorie, and Sinha (2012) also identify that, since the first conceptualization of early internationalizing firm (Oviatt & McDougall, 1994), entrepreneurship’s role in IE research has been identified as a key aspect of the field, although its application has been quite limited. Although the contributions of several scholars are prominent in the field (e.g., Chandra et al., 2009; Dimitratos, Johnson, Plakoyiannaki, & Young, 2016),



considerable potential yet remains for opportunity research in IE.

In IE, Vahlne and Johanson (2013, p. 13) recently defined international OR as a dynamic capability “to identify opportunities and to mobilize relevant resources both within the own firm and within other firms involved in the opportunity.” This assertion indicates that mobilizing resources is an important aspect of identifying and developing opportunities because, without proper resource orchestration, irrespective of whether these resources are controlled by the focal firm or by any other firm(s) in its networks, no idea can be developed and perceived as an opportunity and be thus subsequently acted upon. As a complex process, IE incorporates heavily contextualized and socially constructed activities that occur through joint cross-border coordination. Such a complex and contextualized process typically cannot be exclusively explained by descriptive entrepreneurial behavior categories (Fletcher, 2004). Scholars report that network actors with which firms are connected facilitate their access to knowledge and resources (Zhang, Ma, & Wang, 2012) through relationships with business actors, such as customers, distributors, and suppliers (Knight, Koed Madsen, & Servais, 2004; Sharma & Blomstermo, 2003; Zhang et al., 2012).

### 3. Hypotheses development

#### 3.1. Prior experience and network exploration and exploitation capabilities

The dynamic capability approach builds upon the basic assumptions of resource-based view through its assertion that these unique firm capabilities develop over time (Teecce, Pisano, & Schuen, 1992). According to this approach, firms accumulate knowledge, expertise, and skills through organizational learning. However, organizational learning is not limited to internal activity alone, but rather also results from utilizing knowledge generated outside the firm (Deeds, DeCarolis, & Coombs, 2000). Experience can act as an antecedent for both potential and realized capability (Zahra & George, 2002). Firms learn in areas that are related to previous activities, and thus “history matters” (Hill & Deeds, 1997; Teece, Pisano, & Shuen, 1992). In entrepreneurial firms, this history is essentially rooted into the firms’ founders, specifically in their previous work and job histories- prior industry, managerial and technical experience, all of which help bring pre-existent networks into the firms.

Network capability echoes the knowledge and experience of firms within a particular social context (Grant, 1996; Kogut, 2000). Any kind of prior experience can serve as a basis upon which firms may develop other kinds of relationships (Frels, Shervani, & Srivastava, 2003; Nelson & Winter, 1982). For example, maintaining one relationship favorably can lead to the generation of additional relationships. A firm whose founder possesses prior experience in the industry as well as managerial and technical/functional knowledge is generally likely to be more capable in managing relationships and mobilizing and deploying network resources (Kale, Dyer, & Singh, 2002).

Managerial capabilities are tied to often complex corporate histories (Teecce, 2012) (which is also true at the “microfoundations level”). As relationships evolve historically (Nelson & Winter, 1982), founder’s prior experiences serve as the “microfoundation” upon which firms can further develop their networks (Gulati, 1999; Yaprak, Karademir, & Osborn, 2006). Once a firm builds up certain network skills actualizing founder’s prior experience, it is more likely to exploit them to gain economic benefits (Gulati, 1999; Nelson & Winter, 1982; Yaprak et al., 2006). For example, Morris, Hammond, and Snell (2014) studied teams in a multinational consultancy firm and its knowledge resources and found that knowledge diversity in teams increases learning, global efficiency and local responsiveness, which eventually and help in forming a dynamic (internationalization) capability. At the individual level, it can be seen as reflected in the diversity of the knowledge base of a founder, stemming from earlier experience.

Network capability development is path dependent and path creative

(Mu, 2013); it is path dependent because it relies on a founder’s prior network history and already established network ties, and it is path creative because it can be exploited or explored taking advantage of founders’ existing network relationships (Mu, 2013). However, this capability development process of early internationalizing firms need not take a path-dependent process in the new firm (Madsen & Servais, 1997) because these firms are essentially dominated by their founders, who bring in their previous knowledge and experience. The capability-building process in such firms is driven by entrepreneurial owner-managers with prior experience (Weerawardena et al., 2007). The level of investment in developing network capabilities is the lowest when a firm leans on the experience accumulation process (Zollo & Winter, 2002) and especially counts on the founders’ knowledge and experience acquired through their previous jobs, industry experience, and technical/functional and managerial roles. These firms can easily overcome the ambiguity associated with their partners’ skills (Crossan & Inkpen, 1995) due to their founders’ previous knowledge and experience. Therefore, we hypothesize the following:

**Hypothesis 1.** The greater the entrepreneur’s prior experience, the stronger the firm’s network exploitation capability.

**Hypothesis 2.** The greater the entrepreneur’s prior experience, the stronger the firm’s network exploration capability.

#### 3.2. Network exploitation, exploration, and international OR

According to the network view of markets, OR hinges on the interaction between partners who build knowledge of and build trust in each other as they further commit themselves to the relationship. Opportunities are likely to emerge as a consequence of the privileged knowledge that the two partners develop during their interaction: “opportunity identification is a side-effect of an ongoing business relationship” (Johanson & Vahlne, 2009, p. 1419). This knowledge may allow them to recognize opportunities that others do not (Agndal & Chetty, 2007). Thus, early internationalizing firms can exploit their existing relationships to recognize new product-market opportunities.

Some recent evidence indicates how managerial capabilities influence international OR (Andersson & Evers, 2015) as well as how the latter is a particular catalyst to the internationalization of small- and medium-sized enterprises (SMEs) (Hilmersson & Papaioannou, 2015). In this process, the ways in which firms create and exploit network relationships can affect their OR in international markets (Blankenburg-Holm et al., 2015).

Although existing network relationships may help an internationalizing firm identify new international opportunities, they may also restrict strategic options because opportunities can be limited by the existing networks’ boundaries (Eberhard and Crai, 2013). The importance of exploration and exploitation from the network perspective lies in their potential for improving business performance and sustaining competitive advantage (Gibson & Birkinshaw, 2004; He & Wong, 2004). Research also indicates that international opportunities may be identified through existing networks, as is often the case with high-tech firms (Coviello & Munro, 1997), or may be attributed to new networks, as is the case of family businesses that derive opportunities from new ties established during trade fairs (Kontinen & Ojala, 2011). When an early internationalizing firm fails to either broaden its network horizon with prospective partners or identify potential business opportunities beyond the pre-defined network boundary (Gadde, Huemer, & Håkansson, 2003; Gulati, Nohria, & Zaheer, 2000), the firm then becomes susceptible to network rigidity (Mort & Weerawardena, 2006). We argue that an early internationalizing firm can overcome network rigidity by broadening its network horizon through its network exploration capabilities, which may allow it to identify new international product-market opportunities (Companys & McMullen, 2007) that do not exist within the existing network boundaries. As such, we hypothesize the following:

**Hypothesis 3.** The stronger the network exploitation capability, the greater the firms' international OR.

**Hypothesis 4.** The stronger the network exploration capability, the greater the firms' international OR.

### 3.3. Network exploitation, exploration and international OR: a contingency explanation

A central concern of the organizational strategy regards making choices about how much to invest in different types of activities. Two broad types of qualitatively different learning activities between which firms divide attention and resources—exploration and exploitation—have been proposed in the literature (March, 1991); likewise, the exploitation–exploration dichotomy can be extended to network capability. We argue that the network exploitation perspective emphasizes that the identification of new opportunities is facilitated by a firm's ability to exploit existing network relationships and resources, whereas the network exploration perspective focuses on a firm's advantages based on its ability to explore new network relationships.

Networking is not solely an entrepreneur's personal activity, but also an element of a company's activity and structure (Dubini & Aldrich, 1991). An inter-organizational network is a mode of regulating interdependence between firms based on a cooperative game with partner-specific communication (Grandori & Soda, 1995). As specified previously, network exploitation emphasizes a firm's ability to exploit an existing network and its resources, whereas network exploration focuses on a firm's ability to explore new network relationships. Thus, in support of both H1 and H2, and following Vahlne and Jonsson (2017), one can assume that both perspectives are relevant for international firms in today's global economy.

Accordingly, a closer look at the relative impact of network exploitation and exploration in IB environments seems reasonable given that market environment poses specific strategic and managerial challenges when firms cross borders. Network exploitation, with its focus on exploiting current network relationships to exploit existing and recognize new product–market opportunities, may be expected to be highly effective when new foreign market environments resemble current existing markets. When IB market environments differ from existing market environments, network exploitation may become unprofitable, whereas network exploration may better serve the needs. Network exploration capabilities can enhance firms' alertness to market change, thereby promoting OR together (Chen & Liu, 2019).

Market changes can be incremental or radical (Gersick, 1991). The magnitude and speed of change are related to perceived uncertainty. Rapidly changing market environments are associated with severe unpredictability regarding the market characteristics/elements, like customers and competitors as well as high change rates in market trends and industry innovation (Miller, 1987). The shifts in demand and the conditions typical of a dynamic environment are likely to generate opportunities from which businesses can take advantage (Chandler & Hanks, 1994; Covin & Slevin, 1991; Zahra, 1993). These changes create dynamics in demand and offer new opportunities to firms that can deliver products and services attuned to the changing demand. In changing market conditions, capabilities are not easily transferable across different overseas markets, and competitors' strategic actions may even change the nature of opportunities (Sundqvist et al., 2012) and redefine the rules of the game. In such a changing market environment, network exploitation strategies become more costly and uncertain, which may negatively affect OR. More specifically, firms that are limited by their existing networks, are less alert to opportunities in the changed environment. These firms, thus, fail to sense changes in market environment and therefore benefit less and may even face negative growth in such environments.

Under these changing market conditions, existing networks may fall short of identifying new opportunities for these firms because an existing

network's contributors have already established a generally closed structure that is limited in knowledge. Therefore, new information and knowledge related to customers, competitors, and other specific changes may not be captured within this existing framework of relations. Network exploration may be most necessary for success. In these cases, firms must proactively search for new network partners, and this exploration strategy will be linked to the OR in international markets. Thus, firms must set the course via market-driving behaviors and exploration (i.e., network exploration behaviors) (Sundqvist et al., 2012). In line with contingency theory, the environmental appropriateness of networking (Joshi & Campbell, 2003; Sigmund, Semrau, & Wegner, 2015) suggests that firms' network strategies must fit their environmental contexts (Achrol & Stern, 1988; Grewal, Comer, & Mehta, 2001) because business environment has a profound influence on organizational success (Covin & Slevin, 1989). Therefore, firms should align with environmental conditions to realize superior international performance (Cadogan et al., 2012). Accordingly, we propose the following hypotheses:

**Hypothesis 5.** In stable markets (i.e. markets with no or very little change), network exploitation is positively related to OR in international markets; however, as markets change, the positive relationship between network exploitation and OR becomes weaker.

**Hypothesis 6.** In stable markets (i.e. markets with no or very little change), network exploration is positively related to OR in international markets; however, as markets change, the positive relationship between network exploration and OR becomes stronger.

Fig. 1 summarizes the proposed hypotheses and presents the theoretical framework.

## 4. Research methodology

### 4.1. Data collection

#### 4.1.1. Research context

Our study focuses on the early internationalizing firms in Bangladesh's apparel industry. The apparel industry of this country is the dominant player in world apparel market and ranks second only to China (Lu, 2020). Whereas the majority of the world's economy suffered during and after the 2008–2009 global financial crisis, Bangladesh's apparel sector witnessed steady growth. Industry insiders predicted positive growth due to the ongoing trade tension between the US and China, which has encouraged apparel retailers in the US and other regions to increase their import orders from Bangladesh. Furthermore, industry analysts speculate that despite the COVID-19 crisis and looming economic recession, the future of this industry in the post-COVID era seems auspicious because Western retailers still treat few Asian countries including Bangladesh and Vietnam as their single largest apparel sourcing base, with no substitute (Lu, 2020).

Entrepreneurs' prior experience played a key role in developing this industry, and Rhee (1990) proposed a catalyst model of development based on the success of Bangladesh's apparel export industry. The employees of the country's first export-oriented apparel company, established in 1978, received intensive training in an overseas plant in South Korea, returned with technical knowledge, and later received managerial experience. Most of these employees later left their jobs to start their own apparel exporting ventures by capitalizing on their already established network contacts. This trend continued, and thus the know-how transferred throughout the entire industry; however, no empirical evidence supports this assertion. Therefore, in this study, we include entrepreneurs' prior experience and reveal its link with network capabilities and international OR.

#### 4.1.2. Sample

A sample of 800 early internationalizers was randomly generated

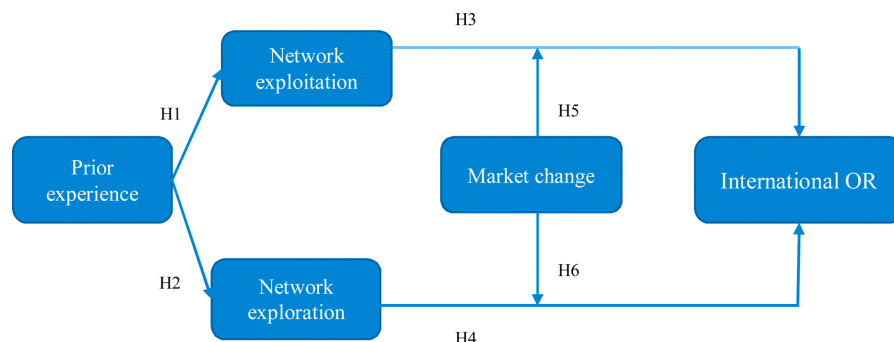


Fig. 1. Conceptual Framework: The relationship between prior experience, network exploitation, exploration, and international OR.

from two existing member directories (the Bangladesh Garments Manufacturers and Exporters Association and the Bangladesh Knitwear Manufacturers and Exporters Association) covering about 4000 exporting firms in the industry. The target informants were the individuals most knowledgeable regarding each firm's exporting activities (e.g., senior executives or export managers) as well as the founder's previous work history and experience. We collected data on entrepreneurs' prior experience from firm managers for two specific reasons. Firstly, firm founder-entrepreneurs are not easily accessible considering their business obligations, meeting engagements, and frequent travel. Secondly, there exist some potential benefits of using managers as evaluators of entrepreneurs' prior experience and knowledge; they can minimize social desirability bias and self-reporting bias, which are very common if the respondent is the same individual he/she is evaluating, specifically concerning variables such as self-efficacy and prior experience (Carr & Sequeira, 2007). Surveying senior managers for collecting data on founders is becoming a common practice in IE (Ahmed & Brennan, 2019).

Of the respondents, 21 percent have up to five years of industry experience, 35 percent have six to ten, and the remaining 45 percent have more than ten. In addition, about 40 percent have up to three years of experience at their respective firms, 43 percent have four to ten, and the remaining 17 percent have more than ten. These experience levels ensure that the respondents possess enough experience at their respective organizations to act as the key informants. Of the respondents, 93 percent reported a close proximity to the entrepreneur(s) (5–7 on a scale of 7), which indicates their eligibility to comment on those entrepreneurs' prior experience and knowledge.

#### 4.1.3. Data collection instrument

A structured survey was applied to collect data. The survey comprised four measures for the concepts of interest (i.e., founders' prior experience, network exploitation and exploration capabilities, international OR) and some demographics (i.e., firm age, number of employees, number of export markets). Face-to-face surveys were conducted using structured questionnaire aiming senior executives of the participating firms. Several research assistants were recruited and given rigorous training for data collection purposes. On average, these interviews lasted twenty minutes, and the respondents were motivated by a forwarding letter from the president's office of the two exporters' associations that requested their cooperation.

#### 4.1.4. Measures

Network capability is defined as:

the ability of a firm to systematically and competently exploit and explore networks, contacts, and connections with external entities to

mobilize and deploy network resources for the creation of value-added product and services as markets emerge, collide, split, evolve and die over time (Mu, 2013, p. 104).

This definition is consistent with prior studies and captures the dual network exploration–exploitation process. The three-item scale for network exploitation capability was adopted from the network capability construct of Walter, Auer, and Ritter (2006), representing firm's coordination skills, relational skills and partner knowledge, measured by: 1) We discuss regularly with our key network partners how we can support each other, 2) We almost always solve problems constructively with our network partners, and 3) We know our network partners' markets, products/services as well as their strengths and weaknesses. Respondents were asked to indicate the firm's position on the statement using a seven-point rating scale ranging from strongly disagree to strongly agree.

Network exploration capability comprises three components—alertness (Parida, Pemartin, & Frishammar, 2009), relational skills, and internal communication (Walter et al., 2006). Respondents were asked to indicate the firm's position on the following statements using a seven-point rating scale ranging from strongly disagree to strongly agree: 1) We have our eyes open to find new network partners, 2) We have the ability to build good personal relationships with new network partners, and 3) In our firm employees have informal contacts among themselves in relation to establishing new network relationships.

International OR was measured by four items with seven-point Likert scales. In addition to the most frequently used items in the existing literature, such as the number of IB ideas (How many IB ideas did you identify in past three years: very few to many; e.g., Gordon, 2007; Singh, Hills, Hybels, & Lumpkin, 1999), some new items were generated to capture OR's dynamic nature, such as the extent of modification from the initial idea to the opportunity (How much did you modify/develop the international opportunity from idea generation to OR: no change to major change; e.g., Gordon, 2007), the feasibility and desirability of innovative ideas (How many of novel or innovative ideas were considered feasible and desirable: very few to most; e.g., Ko & Butler, 2006; Ucbasaran, Westhead, & Wright, 2009), and the resource-shifting capability or strategic flexibility (How much are you able to shift organizational resources to capitalize on emerging opportunities in IB: very low to very high; e.g., Schilke, 2014).

Founders' prior experience was measured by three items: prior managerial experience (the founder(s) of this firm has prior managerial experience before starting this business), industry experience (the founder(s) of this firm has previous industry experience before starting this business), and technical/functional experience (the founder(s) of this firm has prior expertise in a technical or functional area before starting this business) (Lee & Tsang, 2001; Ucbasaran, Westhead,

Wright, & Binks, 2003). Respondents were asked to indicate their degree of agreement with these statements using a seven-point rating scale ranging from strongly disagree to strongly agree. The market change construct was measured by two items on a seven point scale ranging from very low to very high: vulnerability to the change in trade policies across borders (Zhou, Barnes, & Lu, 2010) and the change in overseas customers' demand and preferences, and competitors' new product introduction rate and new selling strategies (Achrol & Stern, 1988).

#### 4.1.5. Data

Data was collected between January and May 2012. After checking for missing values and conducting a rigorous normality test, our final dataset retained 647 cases, thus realizing a response rate of 81 percent. The data's descriptive statistics are provided in Table 1. The study sample is quite balanced in terms of size (number of employees), as one half has less than or equal to 500 employees (in line with the definition of SMEs) and the other half has more than 500 (large firms). About 25 % of the firms export to up to three countries, 35 % up to six, 20 % up to nine, and 20 % up to ten and more. In terms of age distribution, about 25 % of firms are up to five years old, 35 % up to ten years, 32 % up to twenty years, and the remaining 8 % more than twenty years, thereby representing a strong mixture of differently aged firms.

#### 4.2. Measurement validation

An exploratory factor analysis (EFA) was firstly conducted to identify the underlying dimensions in each measurement scale. During EFA, both network exploitation and exploration emerged as unidimensional constructs, while OR also emerged as a unidimensional measure (see Table 4). All items were fed in a confirmatory factor analysis (CFA) to test the hypothesized factor structure and assess the convergent and discriminant validity. The results obtained from the CFA model run are highlighted in Tables 3 and 4. The results show that the items employed to measure the constructs were both valid and reliable. Convergent validity is substantiated by the large and significant standardized loadings ( $t > 1.96$ ,  $p < 0.001$ ) of the items on the respective constructs. Discriminant validity was tested according to the procedure suggested by Fornell and Larcker (1981). Table 3 illustrates that the diagonal elements (i.e., the square root of average variance extracted [AVE]) are greater than the off-diagonal elements in their corresponding rows and columns.

Cronbach's alpha, composite reliability (CR), and AVE were used in estimating reliability and internal consistency, results of which are presented in Table 4. The constructs' Cronbach's alpha and CR values exceed the minimum recommended level of 0.70, suggesting a high internal reliability among the constructs (Fornell & Larcker, 1981). In addition, all the AVE coefficients meet or exceed the recommended

minimum level of 0.50, indicating the model's ability to explain the constructs' variance (Fornell & Larcker, 1981). The model fit statistics are also satisfactory (Hair, Black, Babin, & Anderson, 2010). The measurement model statistics for these variables are provided in Table 2.

#### 4.3. Structural model

Since our model simultaneously assumes a series of interrelated relationships, we apply structural equation modeling (SEM) rather than the often-used multiple regression, which is restricted to examining a single relationship at a time (Cheng, 2001). Measurement model validation performed via an SEM-based CFA produces some additional advantages (e.g., more favorable psychometric properties) because relationships between the constructs' indicators are studied jointly (Cheng, 2001) and because measurement error is considered when statistically analyzing data (Lomax & Schumacker, 2004).

In order to test the hypotheses, interaction terms were created by simple product terms. For instance, to create the interaction between export market change and network exploitation, we multiplied the single indicant score for market change with the single indicant score for network exploitation. After creating the interaction terms but before testing the model, Little, Bovaird, and Widaman (2006) recommended procedure for orthogonalizing (residual centering) observed interaction terms was followed to handle possible multicollinearity issues.

#### 5. Results

SEM was employed with maximum likelihood estimation to test the structural model's relationships, for which Table 2 displays our model fit results. In the constrained model, the main effects freely predict prior experience, network exploitation, exploration, and international OR, while the interaction terms are forced to adopt a zero path magnitude with international OR. In the unconstrained model, on the other hand, all paths are allowed to freely predict the corresponding outcome variable. The unconstrained model exhibits a significant improvement (i.e., a decrease) in  $X^2$  at 5 percent and also returns more favorable fit indexes; as a result, we apply the unconstrained model to test the hypotheses.

The results of the hypothesis tests for the unconstrained model are presented in Table 5; in the first instance, H1 and H2 predict a positive relationship between founders' prior experience and network exploitation and exploration capability ( $\beta_s = 0.373$  and  $0.430$ ,  $p < 0.001$ ), respectively, and both are supported by the results. H3 predicts a positive relationship between network exploitation and international OR; the results reveal their positive relationship ( $\beta = 0.266$ ,  $p < 0.001$ ), thus supporting H3. The relationship between network exploration and international OR is predicted in H4, which is also supported ( $\beta = 0.233$ ,  $p < 0.05$ ).

Surprisingly, neither H5 ( $\beta = 0.073$ , ns) nor H6 ( $\beta = 0.044$ , ns) are supported. Therefore, these results suggest that, although they offer opportunities in stable markets, both network exploitation and exploration fail to lead to greater OR in a changing market environment, and it is very unlikely that network capabilities are not significantly related to OR in such conditions. This non-significance might be due to some other boundary condition effects that we did not include in our original model.

The purpose of conducting a post-hoc analysis is to enrich the analysis after the hypotheses are tested. A constructive post-hoc analysis identifies issues that can add to our understanding of the phenomenon and enable that researchers develop more informed research designs and hypotheses in the future (Shneor, Jenssen, & Vissak, 2016). To shed further light onto this relationship, we conducted a three-way interaction as our post-hoc analysis (configurational approach; e.g., Wiklund & Shepherd, 2005) by including firm age as a boundary condition of these relationships. Addressing the effects of firm age on the relationship between network capability and OR is fruitful for several reasons (Sigmund et al., 2015); previous research points to the fact that firm age has a

**Table 1**  
Characteristics of the sample.

Characteristics	Number of Enterprises	Percentage (%)	Cumulative
<i>Number of employees</i>			
≤100	107	16.7	16.7
101-250	77	11.9	28.6
251-500	148	22.9	51.5
501-1000	106	16.4	67.9
>1000	209	32.1	100
<i>Number of export markets</i>			
1-3	160	24.7	24.7
4-6	225	34.8	59.5
7-9	130	20.1	79.6
10 and over	132	20.4	100
<i>Age</i>			
1-5	160	24.7	24.7
6-10	228	35.3	60
11-20	205	31.7	91.7
20+	54	8.3	100

**Table 2**  
Fit measures of the model.

Model	$\chi^2$ (df)	$\Delta \chi^2$ (df)	RMSEA	CFI	NNFI	p
Measurement model	150.356 (56)	–	0.051	0.961	0.940	0.000
Method bias model	999.463 (54)	849.107 (2)	0.165	0.599	0.587	0.000
Structural model (constrained)	35.208 (9)	–	0.067	0.973	0.965	0.000
Structural model (unconstrained)	13.509 (5)	21.699 (4)	0.051	0.991	0.987	0.019

Notes: unconstrained model shows a significant improvement (decrease) in  $\chi^2$  at 1 percent; the method bias model shows a significant deterioration (increase) in  $\chi^2$  at 1 percent.

**Table 3**  
Correlation between constructs, means and standard deviation.

Construct	Mean	Std. deviation	(1)	(2)	(3)	(4)	(5)
(1) Prior experience	5.010	1.12	0.700				
(2) Network exploitation	5.136	1.01	0.360	0.723			
(3) Network exploration	5.128	1.04	0.369	0.381	0.83		
(4) International OR	4.642	1.09	0.418	0.395	0.422	0.855	
(5) Market change	4.902	1.39	0.290	0.403	0.431	0.370	0.872

Notes: Diagonal is the square root of the average variance extracted.

Correlations greater than .13 are significant at the .05 level. Correlations greater than .17 are significant at the .01 level.

significant moderating effect on the relationship between network capability and firm performance (Semrau & Sigmund, 2012). Theoretically, this effect is grounded in the fact that younger ventures suffer from the liability of newness (e.g., a lack of organizational legitimacy) (Aldrich & Auster, 1986; Stinchcombe, 1965) and as a consequence may be forced to rely upon network capability to be successful (Sigmund et al., 2015). Although firm size indeed influences venture survival (Brüderl, Preisendörfer, & Ziegler, 1992) and financial performance (Sigmund et al., 2015), we did not include this result in our post-hoc analysis. Our research agenda involves investigating how network capability affects OR rather than firm survival, for which firm age seems more relevant.

When firm age was included, the model fit increased significantly and both relationships (exploitation  $\rightarrow$  OR; and exploration  $\rightarrow$  OR) became significant ( $\beta$ s = 0.174 and  $-0.166$ , respectively;  $p < 0.05$ ). Therefore, a higher level of market change seems to indicate that older firms leverage greater benefits from network exploitation. On the other hand, at a higher level of market change, younger firms leverage greater benefits from network exploration. Changes in the market environment can also offer new firms new growth opportunities (Drucker, 1985). In the post-hoc analysis, we additionally checked for the ambidextrous network capability's impact on international OR, which however turned out to be non-significant ( $\beta = 0.050$ ,  $p > 0.10$ ).

Fig. 2 shows the significance of hypothesized relationships (along with extended post-hoc analysis).

## 6. Discussion and implications

This study has analyzed how exploitative- and exploratory-led network capabilities impact international OR. We herein argue that firms' network-related capabilities, called "network capability" (e.g., Walter et al., 2006), should be categorized through the exploration-exploitation dichotomy because this approach allows us to assess how both types of capabilities affect internationalization. We also shed light on the entrepreneurial microfoundations of such capability development through founder's prior experience. We differentiate between the network exploration and exploitation capabilities because the purposes of exploitation (of existing ties) and exploration (of new ties) differ (Laurell, Achtenhagen, & Andersson, 2017). The results raise some interesting implications regarding the extant literature on these topics. For instance, the result that both exploitation and exploration capabilities are linked to increased OR abroad is interesting in light of Lin and Si's (2019) recent study, wherein they found entrepreneurs' exploration

to negatively affect early internationalizing firms' internationalization speed. While in principle one might expect that increased international OR would also lead to more rapid internationalization, we point to two alternative explanations for our study's differing results. Firstly, it is possible that the impacts of exploration and exploitation are context specific at the industry level. However, Lin and Si's (2019) study was conducted on cross-sectional data and they found that the industry sector did not impact the results. Instead of the industry sector, we in this study suggest that dynamic organizational capabilities in the form of exploration capabilities may be more critical for rapid internationalization. This possibility is supported by studies in the IB and entrepreneurship domains that highlight the necessity of developing network-specific capabilities (e.g., Mort & Weerawardena, 2006; Zhou et al., 2010). As Lin and Si (2019) note, individual entrepreneurs need time to engage in exploration behaviors that may slow down the internationalization process of their respective companies. Our results imply that exploration behaviors are to an extent enacted in the form of corresponding network capability, and such a negative trade-off between exploration and international expansion may be overturned.

The fact that the exploration and exploitation network capabilities were both positive and significant in our analysis is further notable in light of studies concerning the dynamics of exploitation and exploration in other domains. As Penney, Combs, Gaffney, and Sexton (2018) recently found, different portfolios of alliances that would enable ambidextrous exploitation and exploration are context dependent and can be more difficult for companies to implement than theory suggests. As the mean values of the exploitation and exploration network capabilities (5.14 and 5.13, respectively) were herein both relatively high, international OR is seemingly a context wherein the development of such ambidexterity in alliance formation is both possible and highly beneficial. The results also in part contradict the notion of Lavie, Kang, and Rosenkopf (2011) that an ambidextrous exploration-exploitation enactment within a domain would be expected to pose negative performance implications. While our study did not explicitly focus on company performance, the ability to recognize international opportunities should be expected to lead to increased degrees of internationalization in both scale and scope. Moreover, as exploration and exploitation can lead to different types of innovation behavior (Camisón, Boronat-Navarro, & Forés, 2018), this study's results again illustrate that, for international OR, both exploration and exploitation capabilities can be independently beneficial rather than one type dominating over the other. This notion indirectly aligns our study to Karami and Tang's (2019) findings, which assert that both networking capability and



**Table 4**  
Results of the measurement model.

Items/constructs	Std. loadings (critical ratio)	$\alpha$	CR	AVE
Prior experience		0.716	0.741	0.49
1. The founder(s) of this firm has prior managerial experience before starting this business.	0.808			
2. The founder(s) of this firm has previous industry experience before starting this business.	0.648 (13.058)			
3. The founder(s) has prior expertise in a technical or functional area before starting this business.	0.634 (12.514)			
Network exploitation		0.762	0.765	0.522
1. We discuss regularly with our key network partners how we can support each other.	0.771			
2. We almost always solve problems constructively with our network partners.	0.759 (15.00)			
3. We know our network partners' markets, products/services as well as their strengths and weaknesses.	0.629 (13.634)			
Network exploration		0.723	0.732	0.688
1. We have our eyes open to find new network partners.	0.782 (13.431)			
2. We have the ability to build good personal relationships with new network partners.	0.704			
3. In our firm employees have informal contacts among themselves in relation to establishing new network relationships.	0.578 (11.925)			
International OR		0.821	0.822	0.732
1. How many international business ideas did you identify in past three years?	0.676			
2. How much did you modify/develop the international opportunity from idea generation to opportunity recognition?	0.724 (15.346)			
3. How many of novel or innovative ideas were considered feasible and desirable?	0.772 (16.062)			
4. How much are you able to shift organizational resources to capitalize on emerging opportunities in international markets?	0.755 (15.823)			
Market change		0.722	0.74	0.76
1. Vulnerability to the change in trade policies across borders	0.663			
2. Change in overseas customers' demand and preferences, competitors' new product introduction rate and new selling strategies	0.858 (7.321)			

experiential learning mediate a relationship between EO and international performance. In light of our findings, we further propose that networking capabilities' impact on beneficial internationalization outcomes is divided between exploration and exploitation network capability types, and that in addition to strategic orientations (e.g., EO), the microfoundations of prior entrepreneurial experience can affect the development of such capabilities.

This empirical result that microfoundations lead to capability development also aligns this study with that recently produced by Ryan, Geoghegan, and Hilliard (2018, p. 24), who conclude that "The microfoundations at the level of the individual...have the potential to influence the development of capability for explorative innovation." While they conclude that a microfoundational lens allows for an in-depth understanding of explorative capability development, our study's findings

**Table 5**  
Model parameter estimates.

Parameters	Standardized estimate	t-value (p)	Results
Market change (control)	0.189	5.377 (p < 0.001)	
H1: Prior experience→Network exploitation	0.373	6.936 (p < 0.001)	Significant
H2: Prior experience→Network exploration	0.430	7.610 (p < 0.001)	Significant
H3: Network exploitation→International OR	0.266	7.044 (p < 0.001)	Significant
H4: Network exploration→International OR	0.233	6.394 (p < 0.001)	Significant
H5: Network exploitation x Market change →International OR	0.073	1.919 (p > 0.05)	Not Significant
H6: Network exploration x Market change →International OR	0.044	1.094 (p > 0.10)	Not Significant
Extended model			
H5a: Network exploitation x Market change x Firm age→International OR	0.174	3.305 (p < 0.001)	Significant
H6a: Network exploration x Market change x Firm age→International OR	-0.166	-2.989 (p < 0.05)	Significant

extend that claim to the IE domain by indicating that the microfoundational lens also facilitates a deeper understanding of how network capabilities influence firms' internationalization in general as well as their international OR in particular. In doing so, the findings regarding the role an entrepreneur's prior experience plays extend the discussion emerging in recent studies that seek to link managerial microfoundations to global strategy (e.g., Kunsch, Menz, & Cannella, 2019) by outlining how microfoundations lead to different types of capability development in the international domain.

In sum, our aim is to contribute to the debate (e.g., Musteen, Francis, & Datta, 2010; Vasilchenko & Morrish, 2011; Yalcinkaya, Calantone, & Griffith, 2007) regarding when network exploitation and exploration are most likely to benefit international marketers. We may further progress this debate by linking different types of capabilities that capture the development and utilization of specific outcomes in the extent of international OR, assessing the role of market change and firm age in that relationship, and drawing from an empirical IE context that has until now received relatively scarce attention from scholars. Our results reveal that, in relatively stable markets, both network exploitation and exploration contribute new opportunities for international marketers, while in changing market conditions, both fail to offer any opportunities. As we subsequently added firm size in the configurational model (cf. Shirokova, Bogatyreva, Beliaeva, & Puffer, 2016; Wiklund & Shepherd, 2005), the results indicate that, in the event of greater market change, network exploitation is more beneficial for older firms; conversely, younger firms can solely benefit if they focus on network exploration when the market change rate is high. This result directly contrasts Sasi and Arenius (2008), who determined that, in the early phases of internationalization, firms focus on exploiting their existing ties rather than adding new ties because the authors did not consider the market change rate in their research. However, our results align with an earlier study (Torkkeli, Nummela, & Saarenketo, 2015) that suggests early internationalizing firms' network capability development may exclusively manifest itself later on in the internationalization process—after the company has grown and possessed sufficient resources—to truly start exploiting their network relationships to their benefit.

Our findings from post-hoc analysis can be explained by the liability of newness from which younger firms suffer. Since older and mature firms possess a broad base of networks and have earned significant experience and efficiency in managing networks, they can extract more favorable network performance advantages by exploiting existing opportunities. By contrast, the lack of legitimacy and trust in the

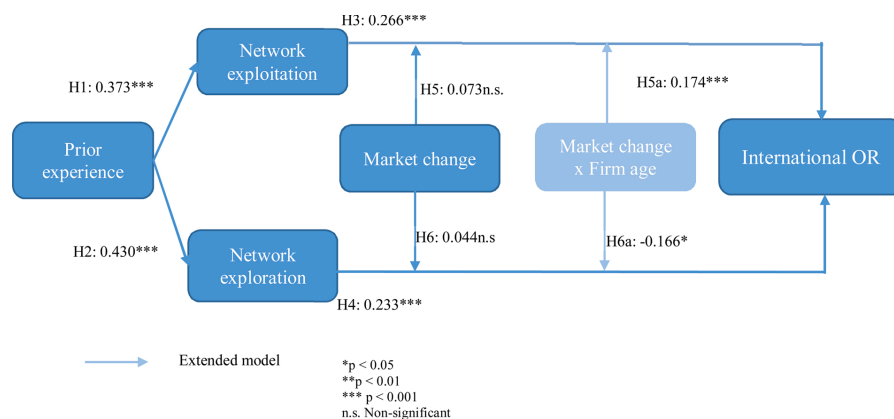


Fig. 2. Results of hypotheses testing.

relationship constrains younger firms' ability to conceive new opportunities arising directly or indirectly from existing networks. This lack of legitimacy and trust in our empirical context (i.e., in the apparel industry) accrues to younger firms' inability to conform to the industry practices and safety and quality issues, which is directly related to their liability of newness and youngness. Another explanation for the divergences between more and less experienced entrepreneurs might be derived from the fact that their prior experience may act as both inertia and detriment to learning (Tripsas & Gavetti, 2000). Thus, more experienced entrepreneurs may engage in network exploitation partly by necessity because they rely on their exploitation and accrued learning rather than explore and create new network relationships. This may be due to the fact that experience in networking with partners in foreign markets leads to increased institutional and business familiarity with the host country (Sommer & Haug, 2011).

### 6.1. Theoretical contribution

In this study, we investigate the links between prior experience (as entrepreneurial microfoundations), dual network capability, and international OR using SEM based on a sample of 647 early internationalizing firms in Bangladesh's traditional low-tech apparel industry. These non-knowledge-intensive firms in a mature market diversify IE research in a fresh and unique industrial context (Jones et al., 2011).

Overall, this study's results help develop a fuller picture of international OR's antecedents in the IE field and thus add to the recently renewed literature concerning the topic (Åkerman, 2015; Andersson & Evers, 2015; Blankenburg-Holm et al., 2015; Hilmersson & Papaioannou, 2015; Mainela et al., 2014). We further reveal that, in a highly changing market, the recipes for capturing international opportunities by capitalizing on network capability differ (i.e., are opposing) for younger and older firms. Our results indicate that older firms can benefit from network exploitation when the market change rate is high, which generally supports the network view of internationalization: "opportunity identification is a side-effect of an ongoing business relationship" (Johanson & Vahlne, 2009, p. 1419) and "an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it relationship" (Gounaris, 2005, p. 23). Further, our results link to organizational ambidexterity (Kauppila, 2010) and the fact that different approaches are beneficial when market change rates differ.

From a theoretical perspective, our results provide new insights into the liability (Stinchcombe, 1965) and learning advantage of newness (Autio, Sapienza, & Almeida, 2000). In a changing market environment,

younger firms fail to exploit existing network relationships because they suffer from this liability. On the other hand, these early internationalizing firms can capitalize on new network relationships to identify new international opportunities because they lack long-established organizational routines and are unconstrained by bureaucracy and hierarchical thinking (Renko, Kundu, Shrader, Carsrud, & Parhankangas, 2016; Stinchcombe, 1965). Therefore, they tend to more easily recognize and quickly respond to the new opportunities arising from a changing market environment (Zhou et al., 2010). The configurational approach has particularly demonstrated that the relationship between EO and firm performance can be positive or negative depending on various combinations of market conditions (Shirokova et al., 2016). This study's results support this view by identifying that, under higher levels of market change, younger firms benefit from network exploration and older firms from exploitation.

Younger firms also suffer from resource constraints, and thus they should not employ exploitation and exploration strategies simultaneously to ensure the effective use of their limited resources (Parida, Lahti, & Wincent, 2016). In a changing market environment, a firm should divest current relationships in favor of relationships more appropriate to the changed market reality (Porter, 1985). In fact, networks are dynamic in that new relations are forged and old relations discarded, and network fluidity depends on the organizational structure's flexibility (Stadler, Rajwani, & Karaba, 2014), which is evident in new firms (specifically early internationalizing ones). Essentially, the emerging market firms benefit from explorative strategies (March, 1991) from developed market firm partners in building capabilities (Thomas, Eden, Hitt, & Miller, 2007).

We additionally contribute to the microfoundations research, which has received substantial interest in strategy and organization literature over the last few years (e.g., Felin & Foss, 2005; Lippman & Rumelt, 2003; Liu & Huang, 2018; Teece, 2007); however, this research stream has mostly been conceptual in nature (for a few exceptions, see e.g. Bingham et al., 2019; Morris et al., 2014) and consequently our study adds to the scant empirical findings. Although the study of the 'whole' is important, understanding the micro elements that constitute the 'whole' can lead to more rigorous work at the macro-level (Felin et al., 2015). One major concern with microfoundations revolves around human resources, which is often considered one of the key determinants of organizational success (Unger, Rauch, Frese, & Rosenbusch, 2011). The central tenet of microfoundations research is to disaggregate collective concepts to understand how individual-level factors affect organizations and how individual interactions lead to emergent, collective, and

organizational-level outcomes and performances (Abell et al., 2008). Inquiring into microfoundations can enhance our understanding of the primary components underlying capabilities, and clarifying these heterogeneous sources will in turn assist us in understanding how microfoundations contribute to heterogeneity among firms (Felin et al., 2012). Most importantly, understanding how capabilities are developed, maintained, and extended in terms of their constituent microfoundations poses managerial relevance, and here we have showed how founders' characteristics and abilities (by studying the earlier experience) matter in developing networking capabilities.

### 6.2. Managerial implications

This study's results have several important implications for entrepreneurs and managers operating in mature industries including apparel in developing countries. Apparel constitutes the major manufactured exports in many of these countries (e.g. 88 percent of exports in Haiti, 79 percent in Bangladesh, 59 percent in Lesotho, 52 percent in Cambodia, 43 percent in Sri Lanka, and 18 percent in India: Petruzzello, 2015). More than 60 percent of world clothing exports are manufactured in developing countries. The advanced countries lost their competitiveness in lower-tier mature industries; as a result, apparel manufacturing continues to shift from developed to developing countries (Ozawa & Bellak, 2011). Less developed countries from Asia and Africa enjoy preferential market access programs (such as the U.S.'s AGOA and the EU's EBA) that allow the region to export apparel, duty free, to the U.S. and the EU. To capitalize on these programs, FDI from China and other countries move there to set up local productions.

Knowing when to switch between exploitation and exploration strategies places individuals or firms in a more favorable position because they capture and continue exploiting the most beneficial opportunities until better possibilities arise (Laureiro-Martínez, Brusoni, Canessa, & Zollo, 2015). This study's results provide guidance for when the network exploitation and exploration capabilities should be adopted or abandoned. Firstly, firm managers must be able to assess and analyze the market environment as stable or changing. If the market environment is relatively stable, then either network strategy (exploitation or exploration) will work; however, in a changing market environment, both network strategies will fail to bring new international opportunities. In such an environment, managers of older firms can benefit from the exploitation strategy by exploiting their existing network ties; on the other hand, younger firms must explore new network relationships. Moreover, this study guides managers in terms of network capability's microfoundation. Managers can capitalize on entrepreneurs' prior experience gained by working in a managerial position, in the same industry, and in a technical/functional area to build the firm's network capabilities. If managers rely on their entrepreneurs' prior experience and knowledge, they can substantially reduce the firm's investment costs in developing these capabilities. Further, we recommend that early internationalizing firms or their entrepreneurs recruit individuals who possess prior experience (managerial, industry, and functional/technical) and pre-existing networks (as a proxy for the network capability), which they would be able to utilize to identify new international opportunities. For aspiring entrepreneurs, we recommend that they attain varied work experience in their early career before they embark on their own early internationalizing ventures.

### 6.3. Policy implications

This study also provides important implications for public policymakers. Because the main objective of government export promotion programs is to promote entrepreneurship, our study provides clear guidance on how policymakers can accomplish this goal. Entrepreneurship is about identifying new opportunities (Davidsson, 1991; Stevenson, 1983), and policymakers can solely help firms explore new opportunities if they understand the delicate mechanisms of different

network strategies. Our results indicate that, in a changing market environment, firms—specifically younger firms—are in need of government assistance. In such an environment, older firms can capitalize on existing networks, whereas younger firms that possess very few network ties constrained by a lack of a longstanding, trust-based relationship will most likely fail to capitalize on these networks, thus necessitating that they explore new network relationships. Against this backdrop, policymakers can establish programs that link younger firms with new buyers, suppliers, and export intermediaries. The government can do so by arranging apparel trade shows and fairs in the country, assisting younger firms in attending international apparel trade fairs, or accommodating them in overseas trade missions through which these firms may develop new networks beyond those already existing.

### 7. Limitations and future research

This study employs a cross-sectional research design—an approach that cannot fully capture the dynamic aspects of the model's constructs. Future work should consider adopting a longitudinal research design, either qualitative or quantitative, to shed light on the changes in these relationships over time. The overall findings may be generalizable to other industries, although the results are likely to differ in high- and low-tech industry settings. A comparative study that incorporates both high- and low-tech early internationalizing firms may shed further insight into the existing IE theories.

Further, we adopt some elements of the network capability construct proposed by Walter et al. (2006) to measure “network exploitation capability” as unidimensional. Future research might take a multidimensional view of dual network capability and investigate the differential impacts on and relationships between each dimension and OR as well as these capabilities' performance outcomes; we consider these first-order constructs, and thus future researchers might develop a higher-order construct. There are also arguments in literature (Zahra & George, 2002) that a capability can be construed as a “potential” and “realized” capability. This study has taken the perspective of realized (network) capability, in that the used scales assessed the extent of developed exploration and exploitation capabilities instead of the potential for each. As such, our explanation does not measure the “potential capacity”. Future studies could examine this further while also seeking to outline the process through which that development occurs—such qualitative longitudinal studies could also help explain some of the underlying mechanisms firms apply to access knowledge dispersed in the network (cf. Doz, Santos, & Williamson, 2001; Zahra & George, 2002).

We also acknowledge that one may anticipate some positive association to emerge between network exploitation and exploration capabilities because learning and experience earned in existing relationships can be utilized to initiate, develop, and sustain new relationships. The association between network exploitation and exploration capabilities may serve as a future research agenda to determine how the dual network capability influences each other and international OR. Also, the cultural underpinnings may serve as microfoundations (Zhang, Liu, Tarba, & Del Giudice, 2020) of such capability and bring new insights to theory and practice.

This study investigates moderating role of market change in the relationship between network capability and international OR; as such, future research might investigate other contextual factors, including external and internal ones and their configurations, which might clarify this relationship. Although the quality of one's prior experience is important and worth investigating, given the study's quantitative nature, we do not explore this scope herein. Some founders possess prior experience with failure, and their network capabilities might stem from such experience (Amankwah-Amoah et al., 2018). Future research might investigate how such accrued prior experience affects network capability and helps identify international opportunities from the microfoundations perspective. Finally, future research would also



benefit from different categories of prior experience, such as general and specific (Faroque, Mostafiz, Faruq, & Bashar, 2020; Hoang & Rothaermel, 2005), by investigating their differential roles in network capability and OR.

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## **Publication IV**

Faroque, A.R., Ahi, A., Kuivalainen, O., & Sundqvist, S.  
**Entry mode decision-making and status quo bias**

Proceedings of the *Academy of International Business 2021 Annual Meeting*,  
28<sup>th</sup> June - 2<sup>nd</sup> July, Online.



## **Publication V**

Faroque, A.R., Sundqvist, S. Kuivalainen, O., & Casulli, L.

**The power and perils of cognition: Longitudinal and adaptive perspective of heuristics and biases in early and post-entry (de-/re-)internationalization**

Proceedings of the *Vaasa Conference on International Business 2021*, 17<sup>th</sup>-18<sup>th</sup> August,  
Online.





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