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**Exploring the individual and joint effects of founders' and managers' experiential knowledge on
international opportunity identification**

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Abstract

This study aims to examine the individual and interactive effects of the founder's prior experience and managers' foreign market knowledge on international opportunity identification by early internationalizing firms

(EIFs). We draw on a sample of 332 small and medium-sized EIFs from a South Asian country, viz. from the Bangladeshi apparel industry. This study adopts a survey-based quantitative research approach. A hierarchical regression modelling technique is used to test the contingency hypotheses. The results demonstrate that founding entrepreneurs' prior experience and managers' experiential knowledge are strong predictors of international opportunity identification. While we hypothesized for the joint negative effects of founders' prior experience and managers' market knowledge on opportunity identification, the results were non-significant, thus partially supporting the assumptions of agency theory. Our study provides valuable empirical insights into and supports the role of founders' prior experience and managers' foreign market knowledge in investigating international opportunity identification.

Keywords: International entrepreneurship, Early internationalizing firms, International new ventures, Opportunity identification, Human capital, Prior experience, Foreign market knowledge.

Introduction

The notion of opportunity identification has received abundant scholarly attention in mainstream entrepreneurship literature. Scholarly interest in this topic has arisen from the realization of its significance in entrepreneurship. Angelsberger, Kraus, Mas-Tur, and Roig-Tierno (2017) noted that opportunity identification is perceived as a central element of the entrepreneurial process. Opportunity identification beyond national borders involves relatively higher risk and complexity compared to the domestic market due to differences in culture, values, religions and other formal and informal institutional factors. Although international opportunity identification is a precarious endeavor, international entrepreneurs have successfully discovered and exploited opportunities abroad by leveraging a unique set of skills, knowledge, and competencies (Åkerman, 2015; Faroque, Morrish, Kuivalainen, Sundqvist, & Torkkeli, 2021). Opportunity identification has thus become a prominent research stream in the international entrepreneurship (IE) field, as evidenced by the increase in the number of studies conducted in recent years (Angelsberger et al., 2017). Despite the growth of international opportunity identification research, this construct remains underdeveloped and very limited in the IE domain (Angelsberger et al., 2017; Terán-Yépez, Jiménez-Castillo, & Sánchez-Pérez, 2021). Understanding how to identify opportunities and what factors facilitate the opportunity recognition process (Filser, Tiberius, Kraus, Zeitlhofer, Kailer, & Müller, 2020) is critical for entrepreneurs to increase the likelihood that profitable opportunities can indeed be found (Ferreira, Fernandes, & Kraus, 2019).

Past studies have documented several firm- and individual-level predictors of opportunity identification. Of these, networking capability has been noted as a key driver of opportunity recognition in many entrepreneurship and IE studies. To recognize and subsequently exploit entrepreneurial opportunities, different types of network ties, such as business and social networks, are needed (Faroque et al., 2021; Filser et al., 2020; Kontinen & Ojala, 2011). Mort and Weerawardena (2006) noted that because new international ventures, particularly born globals, are relatively small, they do not have the necessary human and financial resources to identify international opportunities through systematic market searches. They further argued that born global firms circumvent this issue by leveraging their network ties, which provide them with the necessary experiential knowledge required to identify international opportunities (Mort & Weerawardena, 2006, cited in Angelsberger et al., 2017; pp. 28-29). Faroque et al. (2021) concluded that EIFs (also known as international new ventures or born globals) network exploitation and exploration capabilities are linked to increased opportunity recognition abroad.

A few studies have also examined the influence of entrepreneurs' prior knowledge and experience on international opportunity identification. International opportunity identification emanates from entrepreneurs' knowledge about foreign markets (see, for example, Karra, Phillips, & Tracey, 2008, and Oyson & Whittaker, 2015). We also know that prior experience and experiential knowledge impact firm internationalization (Chen, Li, & Shapiro, 2015) and that the prerequisite for internationalization is spotting opportunities abroad. However, we do not know how founding entrepreneurs' knowledge and top executives' experience interact to influence internationalization, especially opportunity identification in international businesses (IBs). Although evidence suggests that owners and managers differ in their attitudes, behaviors, and goals (Cohen, Holder-Webb, Sharp, & Pant, 2007), empirical insight into the joint effects of founding entrepreneurs' prior experience and managers' market experience remains meagre.

In particular, although the emerging body of IE research highlights the importance of founding entrepreneurs' and/or top executives' knowledge and experience in opportunity identification (for example, Åkerman, 2015, and Andersson & Evers, 2015), little is known regarding how their knowledge and experience individually and jointly influence international opportunity identification. Past studies are predominantly confined to unilateral focus on either of them, leading to an incomplete conclusion. Within the field of entrepreneurship, Shane and Venkataraman (2000) have criticized the work on small and new businesses for its unilateral focus on the performance of either individuals or firms. They argued that a focus on firm performance is unique to strategic management research and thus cannot be unique to entrepreneurship. Furthermore, they suggested that performance approaches do not adequately test entrepreneurship because "entrepreneurship is about the discovery

and exploitation of profitable opportunities” (Shane & Venkataraman, 2000, p. 217). In the IE field, many researchers have reported that EIFs usually choose high resource commitment (Wong & Merrilees, 2012) to internationalize early and rapidly based on their founder’s market knowledge gained from prior industry or managerial experience (see, for example, Ahmed & Brennan, 2019a).

Drawing on human capital (HC) theory, we attempt to address this knowledge gap above by examining founders’ prior experience and managers’ experiential knowledge (especially foreign institutional knowledge, foreign business knowledge, and internationalization knowledge) to investigate how they impact opportunity identification in international markets individually and jointly. Based on HC theory, we argue that the individual effect of founding entrepreneurs’ prior experience and managers’ market knowledge on international opportunity identification is positive. Furthermore, our use of agency theory leads us to posit that although entrepreneurs’ prior experience and managers’ market knowledge interact, they have a weak, albeit positive, influence on opportunity identification.

We tested our research model using a sample of EIFs from Bangladesh, an emerging South Asian economy. Since its independence in 1971, Bangladesh has maintained an impressive track record of economic growth. From being one of the poorest countries at independence with the tenth-lowest per capita GDP in the world, Bangladesh had become a lower-middle-income country by 2015 (World Bank, 2021). Yusuf (2021) has touted Bangladesh as a rising star among South Asian countries: As of 2019, its per capita income was \$1,856, substantially higher than that of Pakistan and very close to that of India. However, to achieve its ambition of becoming a middle-income country (World Bank, 2021), the country must overcome many challenges that hamper entrepreneurial activities at home and beyond. For example, evidence suggests that export-oriented firms in Bangladesh face many challenges emanating from its flawed regulatory institutions, including political instability, corruption, legal procedural complexities, and ineffective and inadequate legal assistance (see, for example, Rahman, Uddin, & Lodorfo, 2017). Nonetheless, among export-oriented firms in various industries in Bangladesh, many apparel firms have managed to transcend national borders very early from start-ups (see, for example, Ahmed & Brennan, 2019a; 2019b, Faroque et al., 2021; Mostafiz, Sambasivan, Goh, & Ahmad, 2021). Given that export-oriented firms in Bangladesh are disadvantaged by flawed regulatory institutions, understanding the extent to which entrepreneurs’ and managers’ knowledge and experience affect international opportunity recognition by EIFs from the apparel industry is critical for both theory and practice.

Our study makes several contributions. First, we contribute to the literature on the interface between IE and IB fields of research by evaluating prior experience (at the entrepreneurial level) from IE and foreign market

knowledge (at the managerial level) from IB. In doing so, we found that both are prerequisites of international opportunity identification when we confined our analyses to the assessment of their individual effects. Second, our main focus and findings on the influence of the knowledge and experience of key individuals—namely founding entrepreneurs and managers—on international opportunity recognition advance theoretical understanding as they endorse the logic of HC theory in the context of international opportunity identification by new ventures. Third, we add to the body of knowledge regarding conflicts between owners and managers through the mechanism of how the interaction of such knowledge works, which explains why entrepreneurs' prior knowledge and managers' market knowledge may be ineffective in a joint endeavor. Agency theory and the general management literature identify the potential for conflict between owners and managers and the resulting misalignment of their efforts, which we show to be especially relevant in opportunity recognition. Therefore, following the logic of agency theory, we reveal the underlying reasons and mechanisms behind the disintegration between owner's and managers' knowledge and resulting outcomes.

The remainder of this paper is structured as follows. The theoretical background and the development of the research hypotheses are presented in Section 2. In the following section, we report and assess our results. We conclude by discussing our findings and contributions, explaining the implications and limitations of our study, and outlining avenues for future research.

Theoretical framework

Personality trait approach, the oldest approach to link entrepreneur with venturing (Mitchell et al., 2002), has mostly remained unsuccessful to show a strong relationship with firm performance (Lee and Tsang, 2001). Human capital (HC) theory is now used as an alternative approach to defining entrepreneurial capability and skills (Cooper, Gimeno-Gascon, & Woo, 1994; Pennings et al., 1998). HC theory suggests that societies and individuals may earn significant economic returns by investing in people (Becker, 1964; Sweetland, 1996). Human capital is defined as the skills, knowledge, and abilities developed by investment in education, on-the-job training, and work-related experiences (Becker, 1964; Gimeno, Folta, Cooper, & Woo, 1997) and enables individuals to act in new ways (Coleman, 1988). These new ways of doing things originating from HC represent an entrepreneurial approach characterized by a proactive, risk-taking, and innovative mindset (Lumpkin & Dess, 1996). HC theory has been applied to the study of management and entrepreneurship, indicating that the HC of entrepreneurs is positively associated with new business opportunities (Bruederl, Preisendörfer, & Ziegler, 1992), entrepreneurial exploration and exploitation (Davidsson & Honig, 2003; Shane, 2003; Shane & Venkataraman, 2000), firm

existence (Dimov & Shepherd, 2005), operational growth (Watson, Stewart, & BarNir, 2003), employment growth (Rauch, Frese, & Utsch, 2005), and the ability to establish long-term relationships with clients and strategic allies (Markman & Baron, 2003).

Two forms of human capital are evident in the literature: general and specific HC factors (Ahmed & Brennan, 2019a; Becker, 1975). In EIF research, two specific HC factors—prior entrepreneurial and industry-specific experience—are critical, as they provide relevant knowledge and information about international business and networks (see, for example, Ahmed & Brennan, 2019a). We therefore postulate that, as the important elements of human capital factors, founding entrepreneurs' prior experience and the foreign market knowledge of top executives are precursors of international opportunity identification.

Development of the hypotheses

Prior experience and international opportunity identification

Both opportunity discovery and opportunity creation theories highlight market knowledge and prior experience as critical to opportunity recognition (Fiet, 1996; Sarasvathy, Dew, Read, & Wiltbank, 2008). Entrepreneurs' prior experience is treated as a great resource for a start-up and is believed to lead to success. The entrepreneurship literature identifies prior managerial or ownership experience in venture creation and success. Marvel, Davis, and Sproul (2016) identified a number of seminal arguments explaining why human capital, or prior experience and knowledge, is particularly important in the field of entrepreneurship (i.e., Ardichvili, Cardozo, & Ray, 2003; Shane, 2003). First, HC is vital to discovering and creating entrepreneurial opportunities (Alvarez & Barney, 2007; Marvel, 2013). Second, various business-critical resources originate from HC, which in turn facilitate opportunity exploitation and launching new ventures (Bruns, Holland, Shepherd, & Wiklund, 2008; Dimov, 2010). Third, it assists new firms in accumulating new knowledge and creating advantages (Bradley, McMullen, Artz, & Simiyu, 2012; Corbett, Neck, & DeTienne, 2007). In a similar vein, IE literature also identifies that one aspect of the value of founders' prior experience in early internationalization is that it can offset new ventures' initial resource constraints by providing knowledge, skills, expertise, and social networks (see, for example, Ahmed & Brennan, 2019a; Weerawardena, Mort, Liesch, & Knight, 2007). In particular, past research has noted that HC factors are important for the survival and growth of new ventures (Cooper et al., 1994), the extent of firms' early internationalization (Ahmed & Brennan, 2019a), and firms' export propensity and intensity (Stucki, 2016).

Prior experience has also been shown to be related to the search for information and opportunity identification. Experienced entrepreneurs' familiarity with gathering information is an advantage to new businesses, as these seasoned professionals tend to identify more business opportunities than novices (Shane, 2003; Westhead et al., 2009). Entrepreneurs with prior experience have an entrepreneurial mindset and problem-solving abilities, which help identify international opportunities (Politis, 2008). Prior knowledge, especially managerial and industry/technical experience, has been reported to have an impact on opportunity recognition (Fuentes, Arroyo, Bojica, & Pérez, 2010; Smith, Mitchell, & Mitchell, 2009; Tang, 2010; Ucbasaran, Westhead, & Wright, 2009). In an internationalization context, entrepreneurs' prior knowledge and experience are positively related to opportunity recognition (Faroque et al., 2021; Zaefarian, Eng, & Tasavori, 2016). Prior knowledge influences entrepreneurs' ability to comprehend, extrapolate, interpret, and apply new information in ways that create new opportunities (Evangelista & Mac, 2016; Roberts, 1991). Thus, we propose the following:

Hypothesis 1. Founders' prior experience is positively related to international opportunity identification.

Foreign market knowledge and international opportunity identification

Foreign market knowledge is a key factor in understanding and explaining the rapid internationalization of firms (Pattnaik & Elango, 2009; Zhou, 2007). Firms' market entry and long-term operations are a process of accumulating experiential knowledge about business partners and committing human, technical, and administrative resources (Blomstermo, Deo Sharma, & Sallis, 2006). Managers are directly responsible for operating the business through which they gain experiential knowledge of the market. The internationalization process of start-ups is driven by the experiential knowledge of entrepreneurs and export managers. In today's highly globalized and competitive IB environment, export managers are critically important to the development and implementation of effective export sales, strategies, and tactics (Katsikea, Theodosiou, & Morgan, 2015). Though managers' experiential knowledge is crucial in detecting risk and opportunity (O'Grady & Lane, 1996), there has been little research on this topic, so our understanding of how managers' market knowledge influences opportunity recognition in IB remains limited.

Information and knowledge are invaluable to successful internationalization (Sharma & Blomstermo, 2003; Yli-Renko, Autio, & Tontti, 2002), regardless of whether the internationalization trajectory a firm adopts is rapid or gradual (Mostafiz et al., 2021). As stated by Liesch and Knight, an "SME's readiness for involvement in international markets can be interpreted as being a function of its state of informedness on targeted foreign

market(s)” (1999, p. 386). This is especially true in the context of SMEs from transitioning and developing economies that are led by managers who typically have very limited international experience (Pollard & Jemicz, 2006). Foreign market knowledge acquisition is particularly important for international firms that must overcome the liabilities of foreignness and newness, which may hamper internationalization (Faroque, Torkkeli, Sultana, & Rahman, 2022). Foreign market knowledge also enables firms in emerging economies to better cope with the drawbacks of their small size as they seek to access international markets, including the limited availability of financial and human resources (Bohata & Mladek, 1999). In addition to helping SME managers cope with the challenges of doing business internationally, foreign market knowledge enhances these leaders’ capabilities (Jin & Jung, 2016; Knight & Liesch, 2002) and helps export-oriented new ventures quickly identify business opportunities in foreign markets (Mostafiz et al., 2021). It also enables these firms to identify and develop useful business relationships, which in turn helps them avoid the costly mistakes often associated with initial internationalization initiatives (Faroque et al., 2021). In sum, foreign market knowledge should make it easier for SMEs to identify the opportunities available in foreign markets more effectively. However, most research in IB has investigated the relationship between market knowledge and internationalization performance, avoiding one of the most significant processes of entrepreneurial internationalization: opportunity identification.

Galdino, Rezende, and Lamont (2019) explained that experiential foreign market knowledge is accumulated from prior experience in a given foreign market and helps entrepreneurs understand new business environments, deal with uncertainties, and reduce risks. Foreign market knowledge can be divided into three components: institutional knowledge, business knowledge, and internationalization knowledge (Eriksson, Johanson, Majkgård, & Sharma, 2015; Mostafiz et al., 2021). A lack of foreign institutional knowledge is problematic because it leaves managers with an inadequate understanding of the technical and commercial laws and norms applied in a foreign market. These laws may relate to the import and export of goods and services, tariffs, local taxes, general market conditions, and related problems and prospects of the market. Knowledge of these institutional factors may constitute an advantage for exporters (Jansson, Saqib, & Sharma, 1995; Murtha & Lenway, 1994; Yoffie, 1988), especially in opportunity identification in international markets. The same is true of knowledge of language (Dichtl, Koeglmayr, & Mueller, 1990) and local culture (Hofstede & Bond, 1984), as these skills facilitate managers’ familiarity with local needs and requirements and help them recognize more opportunities in the markets. Thus, foreign institutional knowledge constitutes a resource similar to capital and helps in the identification of opportunities in foreign markets (Javernick-Will & Levitt, 2010).

When firms are involved in an ongoing business with customers in a foreign market, they acquire foreign market knowledge about the country through their relationships with a counterpart (Chetty, Eriksson, & Lindbergh, 2006). Dodgson (1993) mentioned that this direct relationship with customers and a peer network is a form of “learning by doing.” Experience acquired from a firm’s relationship with its customers can help the firm develop foreign business knowledge of that specific country. Information on competitors and their competing offerings can also provide broader insights into customers’ needs and demands in foreign markets (Williams, Colovic, & Zhu, 2016), which ultimately helps in discovering new business opportunities (Lee & Lee, 2017).

Internationalization knowledge refers to the process of a firm going international (Eriksson, Johanson, & Majkgard, 1997). Internationalization knowledge is the catalyst of searching opportunities in the international expansion process for SMEs (Stoian, Dimitratos, & Plakoyiannaki, 2018). Chandra, Styles, and Wilkinson (2009) and Johanson and Vahlne (2009) suggested that internationalization knowledge helps a firm identify its initial international opportunity. This knowledge can be accumulated through several years of experience working in foreign markets, which ultimately paves the way to subsequent internationalization (Åkerman, 2015). Internationalization gives a firm the opportunity to learn about a new country’s business (Barkema & Drogendijk, 2007). Internationalization knowledge combines knowledge developed in multiple contexts and influences firms’ ability to realize opportunities in subsequent markets (Åkerman, 2015). Managers’ internationalization experience influences how a firm recognizes (Fletcher & Harris, 2012; Zahra, Korri, & Yu, 2005), evaluates (Fletcher & Harris, 2012), and exploits international opportunities through routine work and managerial knowledge (Zahra et al., 2005). This leads us to the following hypotheses:

Hypothesis 2a. Managers’ foreign institutional knowledge is positively related to international opportunity identification.

Hypothesis 2b. Managers’ foreign business knowledge is positively related to international opportunity identification.

Hypothesis 2c. Managers’ internationalization knowledge is positively related to international opportunity identification.

Joint effects of founder’s prior experience and managers’ foreign market knowledge

Despite the importance of HC factors, agency theory suggests that the principal (founder) and the agent (manager) have divergent interests and possess asymmetric information (Cohen et al., 2007). Cognitive theorists

suggest that experienced entrepreneurs can leverage their prior experience to process information more efficiently, and managers from their operational experiences can execute the internationalization process (Ucbasaran et al., 2009). Sources of information and knowledge are thus not the same for founders and managers, which engenders further information asymmetry. Founders' and managers' diverging personal interests, conflicting goals (venture growth vs. stable income), and information asymmetry may give rise to a fundamental agency problem (Bosse & Phillips, 2016), and their combined effort may prove ineffective in identifying opportunities in international markets. Furthermore, entrepreneurs are less risk-averse than managers (Stewart & Roth, 2001), which further indicates the differential nature of founders and managers in terms of opportunity identification: managers are more cautious and rational than founders.

Past research has adequately identified that there are differences between entrepreneurs and managers in terms of the Big 5 personality traits: openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism (Kerr, Kerr, & Xu, 2018). They also differ in terms of their propensity to take risks, achievement motivation, information searching, opportunity evaluation, and strategic decision-making. For example, Stewart, Watson, Carland, and Carland (1999) reported that entrepreneurs are more motivated by achievement, are likelier to take risks, and have a greater preference for innovation compared to either corporate managers or small business owners. Schlosser (2014) reported that an organization's key employees are willing to undertake a moderate amount of risk, which indicates that managers are more rational than entrepreneurs in their decision-making approach. In relation to searching for information and evaluating opportunities, Kaish and Gilad (1991) reported that entrepreneurs devote more time to searching for information and employ different sources than executives. In addition, they pay special attention to risk cues about new opportunities, while executives focus more on the economics of the opportunity. Gruber, Kim, and Brinckmann showed that entrepreneurs, managers, and technologists differ significantly in terms of opportunity evaluations across the dimensions of products, competition, "time to first sale, market size and market growth" (2015, p. 215). Building on non-rational decision-making models from behavioral decision theory, Buseniz and Barney (1997) found that entrepreneurs are more susceptible to decision-making biases and heuristics than managers. Entrepreneurs tend to be more overconfident and manifest the representativeness heuristic more frequently than managers when making decisions. Based on a literature review on the influence of heuristics in entrepreneurial decision-making, Cristofaro and Giannetti (2021, p. 8) conjectured that "the heuristic influence of the risk perception, together with the affect, framing, representativeness, availability, and alertness heuristics, substantiate the vicarious functioning of entrepreneurial judgement in [entrepreneurial decision-making]." They concluded that the affect heuristic directly and indirectly

influences entrepreneurial decisions with respect to opportunity recognition, assessment, and exploitation (Cristofaro & Giannetti, 2021). Therefore, entrepreneurs' and managers' thinking processes, risk-taking propensity, opportunity evaluation, and use of heuristics and biases in decision-making differ; these different perspectives, when combined, may produce weakened or negative results in terms of opportunity identification effectiveness. Therefore, we propose the following:

Hypothesis 3. The joint effects of founders' prior experience and managers' foreign market knowledge (foreign institutional knowledge, foreign business knowledge, and internationalization knowledge) are negatively related to international opportunity identification.

The conceptual framework of this study is illustrated in Figure 1.

[Insert Figure 1 about here]

Methodology

We used a survey-based quantitative approach to test the hypotheses. As noted above, the context of this study is the apparel export industry in Bangladesh, which consists of readymade garments and textile products. Bangladesh is the world's second-largest apparel exporter, behind only China, and followed by Vietnam, India, Turkey, Indonesia, the United States, Cambodia, Pakistan, Sri Lanka, Malaysia, Mexico, and the Philippines (Alam, Selvanathan, Selvanathan, & Hossain, 2019; Yardley, 2012). Islam (2021) and Swazan and Das (2022) reported that in 2020, approximately 83% of the country's total apparel exports went to the European Union (a total export value of \$17.02 billion) and the United States (a total export value of \$5.06 billion). Bangladesh is projected to replace China as the world's leading producer of apparel due to its large labor force, low wages, and modern manufacturing facilities (Rahman, 2021; Islam, 2021; Swazan & Das, 2022). The apparel industry is a key engine of Bangladesh's economic transformation (Ahmed & Brennan, 2019c). It contributed 84% of the country's total foreign earnings (US \$32 billion) in the last financial year (Business and Human Rights Resource Centre, 2018). As Bangladesh has maintained its position as the world's second-largest apparel exporter for more than a decade (since 2008), apparel exporters have already gained experience, and managers have achieved insights into international operations (Alamgir & Banerjee, 2019; Faroque, 2015). Thus, it seems worthwhile to investigate whether founders' experience or managers' experiential foreign market knowledge—or both—is crucial to finding international opportunities. Furthermore, given that developing economies continue to become more important to the global marketplace, it is critical to learn more about the firms located in these economies (Meyer, 2006),

especially the apparel export industry in Bangladesh, due to its global relevance and domestic economic significance (Ahmed & Brennan, 2019b, 2019c).

Sample and data collection

Data were collected from business founders and export managers directly involved in exporting activities who had sufficient knowledge of export business activities. The questionnaire was developed from widely used and established measurement scales and a pilot survey. As entrepreneurs and managers of export-oriented apparel firms in Bangladesh are reluctant to participate in mail, email, and internet surveys, data were collected by face-to-face surveys to maximize the response rate and the response quality, as recommended by previous studies (see, for example, Ahmed & Brennan, 2019a; Faroque & Takahashi, 2015). The surveys were administered in 2016. The respondents, located in the broader Dhaka region, were approached personally to collect survey data. The study sample was gathered from two commonly used and readily available exporter directories produced by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA). We invited 800 individuals, chosen using a random sampling approach, to complete the structured questionnaires, and 382 agreed to participate (48% response rate). Only those responses from EIFs that met the criterion of employing fewer than 500 employees (Faroque et al., 2021) were retained, leaving a final study sample of 332 cases for analysis after the responses were checked for missing values and a normality test was conducted. Fifty-five percent of the respondents were founders and the remaining forty five percent were managers. The responses reflected no statistically significant difference between founders and managers.

Measures

The measurement scales for this study were adapted from existing scales. Five items were used to measure founders' prior experience: founding entrepreneurs' prior entrepreneurial experience (prior ownership of a business), prior managerial experience, prior industry experience, prior expertise in a technical or functional area, and prior international business experience. These items were adapted from Lee and Tsang (2001) and have been used by other authors, such as Colombo and Grilli (2005), McDougall, Oviatt, and Shrader (2003), and Ucbasaran, Westhead, Wright, and Binks (2003).

The measurement of managers' foreign market knowledge involved several multidimensional constructs: foreign institutional knowledge (six items), foreign business knowledge (four items), and internationalization

knowledge (four items). In particular, to measure foreign market knowledge, we used 14 items (reported in Table 1) adapted from Eriksson et al. (1997), Autio, Sapienza, and Almeida (2000), and Hadley and Wilson (2003).

[Insert Table 1 about here]

The international opportunity identification scale was adapted from Faroque et al. (2021). Respondents were asked to specify their level of agreement or disagreement on a seven-point Likert scale. The items used to measure this construct are reported in Table 1; however, it should be noted that some items were dropped in the scale purification process. These items are indicated by an asterisk.

Three firm-level controls (firm size, firm age, and export market coverage) were used because of their significance to firms' early internationalization (e.g., Ahmed & Brennan, 2019b) and international opportunity identification (Faroque et al., 2021). Firm size was measured by the number of employees, and firm age was measured by the number of years since establishment (Jin & Jung, 2016). Export market scope was measured by the number of countries firms were exporting to at the time of the survey (Ahmed & Brennan, 2019b).

Reliability and validity

Construct reliability evaluates the consistency among the items used to measure the variables. This was estimated using Cronbach's α , composite reliability (CR), and average variance extracted (AVE). Typically, reliability coefficients of 0.70 or higher are considered adequate (Nunnally, 1978). As shown in Table 1, all Cronbach's α values and CR coefficients were well above 0.70, and all AVE coefficients exceeded the minimum threshold of .50. Therefore, our diagnostic results imply that the theoretical constructs used in this study exhibit good statistical properties.

Construct validity is the extent to which items on a scale measure the theoretical construct. Convergent validity was determined by the standardized factor loadings of each item on the corresponding construct. As reported in Table 1, the factor loadings of all the items were above 0.50, thereby suggesting the statistical significance of the relationships between the items and the constructs (Bagozzi, Yi, & Phillips, 1991). Discriminant validity was confirmed by the procedure proposed by Fornell and Larcker (1981). Table 2 (the correlation matrix) shows that the diagonal elements (i.e., the square root of AVE) were greater than the off-diagonal elements in their corresponding rows and columns.

[Insert Table 2 about here]

Results

Hierarchical regression modelling was used to test the contingency hypotheses (see Table 3). All the measures involved in multiplicative interactions were mean-centered to avoid any potential for multicollinearity (Aiken, West, & Reno, 1991). Model 1 is the base model and includes only the control variables. Model 2 includes one independent variable: founders' prior experience. At this stage, H1, which postulates a direct positive relationship between founder's prior experience and international opportunity identification, was supported ($\beta=0.244$, $p < .001$). Model 3 includes managers' experiential foreign institutional knowledge, which was found to be positively associated with international opportunity identification ($\beta = 0.295$, $p < .001$), supporting H2a. Model 4 incorporates managers' foreign business knowledge, which also showed a strong and positive relationship with international opportunity identification ($\beta = 0.131$, $p < .01$), thus supporting H2b. Model 5 includes managers' internationalization knowledge, which was not supported ($\beta = 0.103$, $p > .05$), thus H2c was rejected. Finally, Models 6 ($\beta = -0.028$, $p > .05$), 7 ($\beta = 0.019$, $p > .05$), and 8 ($\beta = -0.074$, $p > .05$) tested the interaction hypotheses. None of the interaction coefficients of entrepreneurs' prior experience and managers' foreign market knowledge (institutional knowledge, business knowledge, and internationalization knowledge) were significant, so H3 was not supported. However, this is partially supported in that while prior experience and dimensions of foreign market knowledge (except internationalization knowledge) impact opportunity recognition individually, their combined effect fails to impact such opportunity recognition activities in international markets.

Among the control variables, firm age and size were found to be significantly related to international opportunity recognition.

[Insert Table 3 about here]

Discussion of findings

We found that founders' prior experience (H1) was directly associated with international opportunity identification. The beneficial role of founding entrepreneurs' prior experience, as evident in our analysis, supports those scholars who have highlighted the importance of entrepreneurs' HC (Andersson & Evers, 2015), particularly prior knowledge of or experience in opportunity recognition (see, for example, Faroque et al., 2021; Zaefarian et al., 2016). Similarly, as expected, manager's foreign institutional knowledge (H2a) was found to affect opportunity recognition. These findings are in line with past research, such as Åkerman's (2015) finding that foreign institutional knowledge is positively related to international opportunity identification in the internationalization process of Swedish exporting firms. We also documented that managers' foreign business knowledge (H2b) is

positively related to international opportunity identification, but in the context of EIFs originating from an emerging country. A similar result was reported by Åkerman (2015), who specified that managers' knowledge of foreign business is positively related to opportunity identification. Zhou (2007) also found that managers' prior foreign business knowledge had a positive effect on EIFs. However, we found no relationship between managers' internationalization knowledge and international opportunity identification. This is unsurprising, as Cohen and Levinthal (1990a) mentioned that achieving foreign internationalization knowledge is an endless process and is thus an "absorptive capability" for start-ups that ensures they can acquire foreign market knowledge in the future.

However, contrary to our expectations in H2c, our results did not support the relationship between managers' internationalization knowledge and international opportunity identification. A lack of internationalization knowledge may be compensated for by firms' or entrepreneurs' business and/or social networks. Zaefarian et al. (2016) argued that, in the absence of necessary knowledge, entrepreneurs capitalize on their business or social ties to compensate and are thus still able to identify international opportunities. Our findings on the impact of internationalization knowledge both support and deviate from a number of studies. For example, Kontinen and Ojala (2011) used a sample of family firms to show that prior knowledge, including internationalization knowledge, does not affect the recognition of international opportunities. However, the positive association between internationalization knowledge and international opportunity recognition has been established in the literature (see, for example, Zaefarian et al., 2016).

The interaction between founders' prior experiential knowledge and managers' foreign market knowledge is not (negatively) significant (H3), but the hypothesis is partly supported in that their joint effects do not produce any significant results. This implies that "entrepreneurs and managers recognize and exploit international opportunities in different ways—ways that range from planned strategy formation to opportunistic behavior as a response to serendipitous encounters" (Crick & Spence, 2005; Spence & Crick, 2006, cited in Mainela, Puhakka, & Servais, 2014, p. 117).

Theoretical contributions

Our findings have several theoretical and practical implications. First, we contribute to the literature by exploring the drivers of international opportunity identification by newly established small and medium-sized EIFs. In doing so, we integrate insights from IE and IB, with prior experience (at the entrepreneurs' level) from

IE and foreign market knowledge (at the managerial level) from IB. The influence of experiential knowledge (including foreign business knowledge and institutional knowledge) on foreign market commitment was established in Johanson and Vahlne's (1977) Uppsala model. Eriksson et al. (1997) argued that the mechanism underpinning this relationship is firms' increased ability to detect opportunities and decreased uncertainties about going abroad. Similarly, Nordman and Melén (2008) used a sample of born global firms to establish the critical role of founders' and managers' foreign market knowledge and that of technological expertise in recognizing international opportunities. The significant effect of founders' prior experience on international opportunity identification is also documented in mainstream entrepreneurship literature. For example, from the human capital perspective, experienced entrepreneurs are competent and capable of finding opportunity (Westhead et al., 2009). Ucbasaran et al. (2009) found that experienced entrepreneurs identified more opportunities and exploited more innovative opportunities that had the potential to create wealth. Our findings extend this stream of literature by providing valuable empirical insights into and supporting the role of founding entrepreneurs' prior experience and managers' foreign market knowledge in investigating international opportunity identification (Tang, 2010; Casillas, Barbero, & Sapienza, 2015) by early internationalizing SMEs.

Second, our main focus and findings on the influence of the knowledge and experience of key individuals, namely founding entrepreneurs and managers, on entrepreneurial activities (i.e., international opportunity identification) advance theoretical understanding, as they endorse the logic of HC theory in international opportunity identification by EIFs. IE research demonstrates that the HC factors of key individuals—founding entrepreneurs' and top executives' prior experience—are associated with firms' early internationalization (Ahmed & Brennan, 2019a; Faroque et al., 2021) and new ventures' international performance (Andersson & Evers, 2015). SMEs that cannot accumulate and leverage entrepreneurial and managerial capabilities may be unable to identify opportunities in either domestic or international markets (Westhead, 2008). Our findings also contribute to the literature by demonstrating that EIFs proactively seek international opportunities facilitated by the unique resources they accumulate from their entrepreneurs' and managers' HC factors, thereby extending the logic of the resource-based view in EIF research. In particular, we add to these streams of literature by establishing that EIFs capitalize on the HC factors of founding entrepreneurs and managers in their endeavors to spot opportunities abroad.

Finally, we add to the body of knowledge regarding conflicts between owners and managers through the mechanism of how the interaction of knowledge works, explaining why entrepreneurs' prior knowledge and managers' market knowledge may be ineffective in joint endeavors. As noted above, we used agency theory and

general management literature to identify the potential conflict between owners and managers and the resulting miscalibration of their efforts, and showed how this is especially relevant to identifying opportunities in the context of EIFs. Performance may be a natural outcome of owner-manager integration, as no organization can survive without consistent performance; such survival can be ascertained through the exploitation of existing market focus and capabilities. However, integrating owners' and managers' knowledge to recognize opportunities might not be beneficial because growth activities are related to the exploration of new markets and capabilities, which requires a reconfiguration of a firm's organizational structure and resource base, thus causing managers to develop mental barriers to such changes.

Managerial resistance to structural change is a problem in organizations worldwide (Head, 2005), but this topic has been generally neglected in IB and IE research. Our findings provide insight into the agency role of entrepreneurs and managers from different perspectives (Mantere, 2008), thus confirming agency theory in founder-manager relationships in the context of opportunity identification. The non-significant joint effects of founders' prior experience and managers' foreign market knowledge relate specifically to agency theory.

Managerial implications

Our findings demonstrate that founding entrepreneurs' prior experience encompassing experiences and expertise in a broad range of areas (prior entrepreneurial, managerial, industry-specific, and international business experiences as well as prior expertise in a technical or functional area) and managers' experiential knowledge are the precursors of international opportunity identification. As market knowledge was found to affect the international performance of the sample firms, they had to find ways to develop and cultivate market knowledge from diverse perspectives (Jin & Jung, 2016). However, when their joint effects were tested, the results were non-significant, suggesting that founders and managers should work independently in recognizing international opportunities because their efforts were ineffectual when they worked together. Founders' prior experience might lead to more ideas and opportunities, but owners also need to give leeway to managers so that they can work independently to develop new international opportunities (Busenitz & Barney, 1997). Awareness of such joint negative effects (albeit not significant) on international opportunity identification might cause founding entrepreneurs to engage in recruiting employees based on traits that can compensate for the skills and expertise that they lack, and/or skillsets that founding entrepreneurs currently possess required to leverage in their absence.

Limitations and future research avenues

This study is not without limitations. First, the significance of network ties in opportunity identification and exploitation has been demonstrated in many studies. For example, Johanson and Vahlne argued that “opportunity identification is a side-effect of an ongoing business relationship” (2009, p. 1419). According to Singh, Hills, Hybels, and Lumpkin (1999), the number of new opportunities spotted by entrepreneurs depends on their network relationships. Research has also shown that founders’ prior experience facilitates the development of network ties with various actors, which subsequently affects the performance of EIFs (Ahmed & Brennan, 2019a). This implies that a network can act as a mediator in the relationship between prior experience and the identification and exploitation of opportunities. For this reason, the current study examined only the direct effects of founders’ prior experience and managers’ foreign market knowledge. Consequently, future research could use a network perspective to examine how founders’ and/or managers’ social and business ties developed through prior experience influence international opportunity identification and exploitation.

Second, as strategic orientations, such as market and entrepreneurial orientations, are thought to be influenced by entrepreneurs’ HC (Zhang & Bruning, 2011), they in turn can affect international opportunity identification. Future research could theorize and empirically investigate how entrepreneurs’ prior knowledge, HC, and capabilities can facilitate the development of the strategic orientations required to spot opportunities abroad. Third, in this study, we investigated the individual and joint effects of founders’ prior experience and managers’ foreign market knowledge on an EIF sample. Exporting firms that do not follow the early internationalization trajectory may also benefit from such experience and foreign market knowledge, so future research could investigate and compare the findings for early and traditional exporting firms to validate our findings. Future research could also investigate how other entrepreneurial and managerial variables, such as cognition, interact and whether such interactions are effective. Fourth, this study collected data from a single country and industry, which limits the generalizability of the findings. Future research could replicate this study in other countries and in multiple industry settings. Finally, as opportunity identification itself is a process (Corbett, 2005), the cross-sectional research design adopted in this study can only provide a snapshot of the phenomenon examined; a longitudinal research design could effectively address this issue.

Conclusion

In this study, we investigated the individual and joint effects of founding entrepreneurs’ domain-specific knowledge and managers’ foreign market knowledge on international opportunity identification by early internationalizing SMEs using data from the Bangladeshi apparel industry. Our study demonstrates that founding entrepreneurs’ prior experience and managers’ experiential knowledge are strong predictors of international

opportunity identification. While we hypothesized the joint negative effects of founders' prior experience and managers' market knowledge on opportunity identification, the results were non-significant, thus partially supporting and indicating the assumptions of agency theory. Our study provides valuable empirical insights into and supports the role of founders' prior experience and managers' foreign market knowledge in investigating international opportunity identification.

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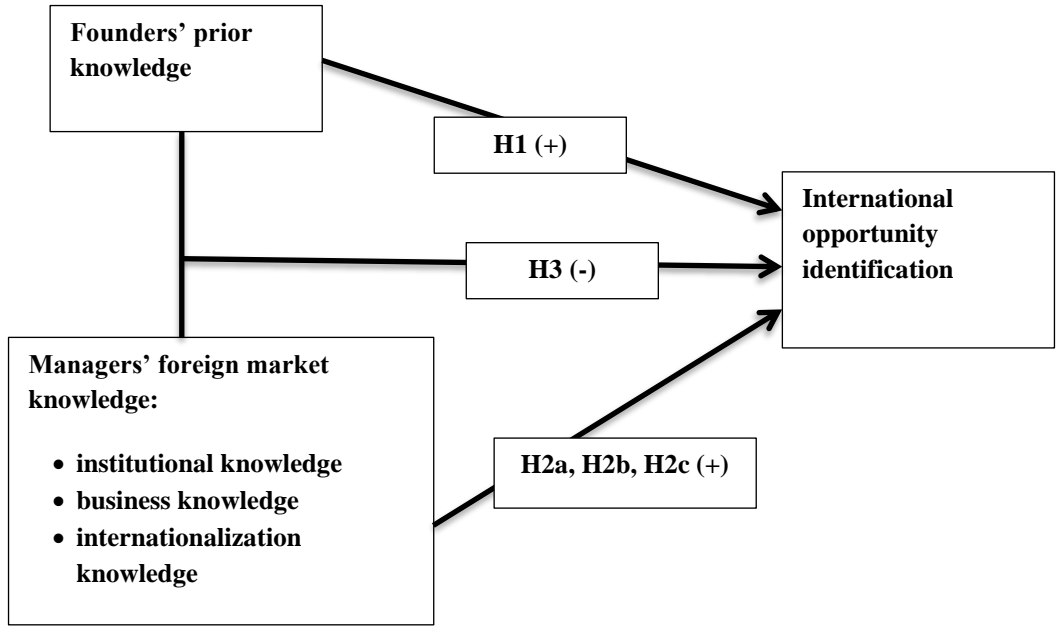


Figure 1. International opportunity identification by EIFs

Table 1. Descriptive statistics, details of measures, standardized factor loadings and reliability tests

Constructs/items	Standardized factor loadings	Mean/SD
Founder's prior experience ($\alpha = .760$; <i>Composite reliability: .839</i>)		4.39/1.02
1. Founder's prior entrepreneurial experience (previously owned a business)	.727	
2. Founder's prior managerial experience	.783	
3. Founder's prior industry experience	.767	
4. Founder's prior expertise in a technical or functional area	.644	
5. Founder's prior international business experience before starting this business	.645	
Foreign institutional knowledge ($\alpha = .831$; <i>Composite reliability: .889</i>)		4.74/1.22
1. Our managers' knowledge of foreign languages	.885	
2. Our managers' knowledge of foreign business laws and regulations	.615	
3. Our managers' knowledge of foreign business norms and standards.	.912	
4. Our managers' knowledge of the economic situation in export markets*		
5. Our managers' ability to prepare and handle necessary export documentation	.837	
6. Our managers' knowledge of host government agencies*		
Foreign business knowledge ($\alpha = .750$; <i>Composite reliability: .888</i>)		5.13/1.17
7. Our managers' knowledge of foreign competitors*		
8. Our managers' knowledge of the current and changing needs of foreign clients/customers	.894	
9. Our managers' knowledge of foreign distribution channels*		
10. Our managers' knowledge of effective marketing in foreign markets	.894	
Internationalization knowledge ($\alpha = .809$; <i>Composite reliability: .912</i>)		5.1/1.21
11. Our managers' international business experience and personal network abroad	.916	
12. Our managers' ability to determine foreign business opportunities*		
13. Our managers' experience in dealing with foreign business contacts	.916	
14. Our managers' ability to manage an export business or other international operations*		
International opportunity recognition ($\alpha = .844$; <i>Composite reliability: .895</i>)		4.43/1.19
1. How many international business ideas did you identify in the past three years?	.757	
2. How much did you modify/develop the international opportunity from idea generation to opportunity recognition?	.866	
3. How many of your novel or innovative ideas were considered feasible and desirable?	.863	
4. How much are you able to shift organizational resources to capitalize on emerging opportunities in international markets?	.814	

*Indicates item that was dropped in the scale purification process. All standardized coefficient loadings are significant at $p < 0.01$

Table 2. Correlation matrix

	1	2	3	4	5	6	7
1. Prior experience	.844						
2. Foreign institutional knowledge	.263**	.901					
3. Foreign business knowledge	.141*	-.003	.945				
4. Internationalization knowledge	.258**	.521**	.014	.957			
5. International opportunity recognition	.339**	.415**	.161**	.298**	.908		
6. Firm age	.268**	.291**	.028	.042	.272**	-	
7. Firm size (log)	.309**	.407**	.043	.193**	.326**	.477**	-
8. Export market coverage	.281**	.348**	.141**	.246**	.243**	.425**	.491**

** , * Correlation is significant at the 0.01 and 0.05 levels respectively (2-tailed).

Diagonal is the square root of the average variance extracted.

Table 3. The regression output: International opportunity identification as the dependent variable

	Model							
	1	2	3	4	5	6	7	8
Controls								
Firm age	.103*	.102	.082	.087	.106	.104	.106	.106
Firm size	.226***	.181**	.105	.109	.112	.114	.115	.115
Export market coverage	.076	.042	-.004	-.025	-.038	-.037	-.039	-.037
Predictors								
Prior experience	-	.244***	.214***	.190***	.175**	.176**	.176**	.179**
F. Institutional knowledge	-	-	.295***	.304***	.252***	.250***	.246***	.258***
F. Business knowledge	-	-	-	.131**	.133**	.137**	.137**	.137**
Internationalization knowledge	-	-	-	-	.103NS	.106NS	.106	.089
Prior experience x F. I. Knowledge	-	-	-	-	-	-.028	-.032	.013
Prior experience x F. Business Knowledge	-	-	-	-	-	-	.019	.025
Prior experience x Internationalization knowledge	-	-	-	-	-	-	-	-.074
R-square	.128	.180	.237	.265	.272	.273	.273	.277
Change in R-square	-	.052	.057	.028	.007	.001	.000	.004
F-value	16.064***	17.932***	21.563	19.537***	17.326***	15.171***	13.467***	12.28***

* $p < .05$, ** $p < .01$, *** $p < .001$