

Foreign market knowledge, international opportunity recognition and the performance of export manufacturing firms

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Foreign Market Knowledge, International Opportunity Recognition and the Performance of Export Manufacturing Firms¹

Md Imtiaz Mostafiz^{1*}, Murali Sambasivan², See Kwong Goh³

Article Running Head: Knowledge and opportunity recognition

Main message

Accumulating foreign market knowledge is critically essential for international entrepreneurs operating in export-manufacturing industry to recognise new international opportunities.

Key points

Foreign market knowledge positively improves the international opportunity recognition process to achieve superior performance of export-manufacturing firms.

Foreign institutional knowledge is the most important among three types of foreign market knowledge that international entrepreneurs should leverage to recognise new opportunities.

International entrepreneurs must seek foreign market knowledge from the breadth of various sources in their quest for successful international performance.

Introduction

International opportunity recognition (IOR) is the most essential and continuous practice to achieve firms' success. IOR is defined as "the discovery, enactment, evaluation and exploitation of opportunities across national borders to create future goods and services" (Oviatt & McDougall, 2005, p. 540). IOR facilitates entrepreneurs to revamp the existing product/service and introduce new product/service in a new and less saturated international market (Singh, 2001). It is a firm-level antecedent and an important success factor of entrepreneurial firms (Mainela et al., 2014). IOR includes exploration and exploitation of

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opportunities to mobilize relevant resources. Although it is a repeated process to achieve success, however for early internationalizing firms, the significance of the first-time opportunity is crucial. The recognition process is uninterrupted and not all opportunities are available at one time to the entrepreneurs (Peng, Lee, & Hong, 2014). Imperative and effective knowledge might reduce the scarcity of information concerning to recognise correct and new international opportunities.

Knowledge is considered a pivotal resource for a firm to achieve success (Barney, 1991). Acquiring and utilizing knowledge plays a critical role in the internationalization process of exporting firms. Due to the nature of exporting and manufacturing, these firms require multiple types of knowledge such as, effective human capital, sources of raw materials, effective distribution channels, suppliers, marketing agents, networks, and so forth (Collins & Clark, 2003). Three types of foreign market knowledge (FMK) are essential for firm's internationalization process and continued success; which are a) foreign business knowledge, b) foreign institutional knowledge, and c) internationalization knowledge (Eriksson et al., 1997). FMK delivers an understanding of potential competitors, market conditions and customers, changes in government policies, institutional structures, sources of tangible and intangible unique resources, institutional structure, and foreign market operations (Eriksson, Majkgard, & Sharma, 2000b). This knowledge might enable the entrepreneurs to recognise the right opportunities to success in the international markets.

The current study is motivated by the study of Musteen et al. (2014), where authors reported non-significant relationship between FMK and firm performance at the post-internationalization stage (significant at $p > 0.05$ level). Authors have called for future investigation to identify the mediating mechanism based on which the effect of FMK will be meaningful to enhance firm performance. Till date, no study has investigated and created the bridge between FMK, IOR, and firm performance. This study attempts to fill this gap. In

doing so, this study attempts to identify the mediating mechanism to create a relationship between FMK and firm performance through IOR in export manufacturing industry. Therefore, the fundamental question that is addressed in this study is: *what effect IOR has in the relationship between FMK and the performance of export manufacturing firms?* The study context is Bangladesh, an emerging economy. The rationale for choosing this context is described in the following paragraph.

Export manufacturing firms from the apparel industry of Bangladesh enter international market from inception and abide by government policies to generate total revenue from international market (Mostafiz, Sambasivan, & Goh, 2019a). These firms operate in a B2B industry and ranked second after China in exporting readymade garments (WTO, 2017). Chinese firms get higher attention in academic research (Hånell & Ghauri, 2016), however, there is a dearth of empirical knowledge on the apparel firms from least developing country, although firms from this apparel industry enormously contribute to the global economy (Gereffi & Frederick, 2010). Lack of infrastructure, efficient human capital, resources and information, and political chaos in emerging economies are prevalent. Even after so much volatility in the business environment, the emergence of this export manufacturing firms in the apparel industry and their contribution to the global market is preeminent (Donaghey & Reinecke, 2018). Hence, it is noteworthy to study this research issue in the context of export manufacturing firms from an emerging economy to contribute to the existing IB literature.

The contributions of this study are twofold. *First*, this study uncovers the role of IOR between the relationship of FMK and firm performance. The establishment of this relationship (empirically) is critical to the advancement of the body of knowledge on internationalization of firms. It is critical to understand the mechanism of translating knowledge to performance and how this information can help firms in channelling FMK in

the right direction. *Second*, this study contributes to the existing literature by investigating firms in the context of an emerging economy (especially in B2B industry). Because, the behaviour of internationalized firms varies and the strategic actions are different in other economies (Knight & Liesch, 2016; Tabares, Alvarez, & Urbano, 2015).

Theoretical Integration and Hypotheses Development

The knowledge-based view (KBV) suggests that knowledge is the most important strategic resource of a firm (Nonaka, 1994). In KBV, knowledge is viewed as a primitive resource to develop capability to achieve sustainable advantage (Barney, 1991). The causal link between the generation of knowledge and internationalization process is well established (Blomstermo et al., 2004; Petersen et al., 2008). The financial ability of the firms and information regarding new resources and access to new knowledge are the key determinants of international expansions (Nachum & Zaheer, 2005). Knowledge influences the decision of entry modes, market selections and internationalization pace (Eriksson et al., 2000a) and increases a firm's ability to deal with internationalization uncertainties (Liesch & Knight, 1999). The accumulation of knowledge is a gradual process. This process of accumulating knowledge is important for firms to grow rapidly in the international market by treating knowledge as an endowed resource (Andersson & Wictor, 2003).

Foreign market knowledge

The connections between internationalization, entrepreneurship, and opportunity have been established. Dutta and Crossan (2005) have stated that "in engaging with opportunities, entrepreneurs essentially follow a path of self and organizational learning" (p. 427). This indicates that opportunities are derived from knowledge and learning. Forsgren (2002) has argued that learning "increases the organization's knowledge about possible alternatives" (p. 260). The author has also suggested that "the more the range of alternatives is enhanced, the more the organization has learnt, and the larger the number of potentially useful alternatives

in the future" (p. 260). Knowledge is an alternate form of know-how and information that expedite the economic reform of the firm by yielding competitive differentiation of products and services. Westhead et al., (2001) have posited that the repository of FMK delivers access to unique and better resources, which might be conceded as new opportunities for export-oriented firms. FMK facilitates firms to gain information regarding the new source of raw materials, technological advancement, and efficient marketing channels. FMK also includes information regarding useful human capital, unskilled labour forces, network and R&D (Chidlow et al., 2009).

FMK abates the internationalization in IP (internationalization process) theory, while, on the other hand, FMK is considered as a key driver to accelerate internationalization and superior performance (Brennan & Garvey, 2009). It is the role of FMK in the internationalization process that provokes researchers to theorize KBV of internationalization to explain performance outcomes (Grant, 1996; Johanson & Vahlne, 1977). Past studies have highlighted the importance of opportunity in accelerated internationalization, especially in the context of early internationalization (Oviatt & McDougall, 2005; Mostafiz, Sambasivan, & Goh, 2019b). Authors argue that early internationalized firms emerge as entrepreneurial firms and suffer from resource constraints, lack of technology, negotiating barriers and so forth. Such challenges are predominant in emerging economies rather than for firms from developed countries (Knight & Liesch, 2016; Tabares et al., 2015). In order to achieve superior success and accelerated internationalization, export oriented manufacturing firms always seek for new opportunities from new sources despite limited resources (Oviatt & McDougall, 2005). Hence, this study argues that an affluent FMK base of export manufacturing firms can be a source of new opportunities to create economic success.

The empirical results of the role of FMK to explain firm's performance are not conclusive (Åkerman, 2015). Oviatt and Mcdougall (2005) have highlighted the importance of market knowledge in the internationalization process. Based on the assumption, Mueller (2007) has argued that market knowledge drives firm's growth. It is interesting to note that while Shane (2000) and Johanson and Vahlne (2009) have emphasized the role of knowledge in realizing opportunity, Kontinen and Ojala (2011) have not found any positive correlation between knowledge and internationalization process of the small-medium sized enterprises. These heterogeneities in empirical results lead Åkerman (2015) to contribute a holistic view on the literature of market knowledge and opportunity realization. Åkerman (2015) has not captured the value and worthiness of international opportunities and the effects of FMK on firm's performance. Åkerman's study has found that knowledge of the business network and global diversity stimulates realization of opportunities to increase sales and retain existing customers.

The first building block of FMK, foreign business knowledge refers to the knowledge of international market with regards to competitors, customers, and the market condition. Foreign institutional knowledge refers to the knowledge of foreign culture, norm, values, institutions, government rules and regulations (Eriksson et al., 1997). It also includes the valuable information regarding the changes in the policies of exportation and importation. Finally, internationalization knowledge refers to the capability of firm's know-how to adapt resources and enhance the ability to engage in the international market and operations (Zhou, 2007). Foreign business knowledge facilitates firms to be aware of new opportunities and possible disputes; internationalization knowledge stimulates the process of realizing those opportunities by taking appropriate actions in the international market.

Market scanning and the utilization of information are vital activities of international entrepreneurs. This process facilitates firms to create the knowledge base of the firms through

trial and error (Zhou, 2007). The tendency of taking initiatives to scan the market enable entrepreneurs to anticipate future opportunities in the international market (Lumpkin & Dess, 1996). The higher level of market knowledge leads firms to pursue opportunities. Chaudhry and Crick (2005) also found that diversified knowledge helps firm to recognise correct opportunities in entrepreneurial firms. The exertion to accumulate FMK requires creativity, innovativeness, and unstructured routines to explore entrepreneurial opportunities (Matsuno et al., 2002). FMK is viewed as a time-based experience for large firms from the cross-border operation; however, entrepreneurial firms classify FMK as an entrepreneurial nature of accumulating valuable information (Zhou, 2007). Lack of FMK is a significant obstacle to firm's internationalization (Eriksson et al., 1997). FMK increases the internationalization pace (Zhou, 2007). Diversified business knowledge often creates the basis of competitive advantage for international firms (Yeniyurt et al., 2005). Business knowledge is the vital determinant of knowledge development capability, and knowledge development capability enhances firm performance (Li & Cavusgil, 2000). Based on this line of reasoning, this study proposes:

H1: Foreign business knowledge positively enhances the IOR process of the export manufacturing firms.

The sources of foreign institutional knowledge are from government agencies, export promotion bureau, and industry networks. Empirical evidence on foreign institutional knowledge has the utmost bewildering array of knowledge (Bell & Cooper, 2018). Internationalization and expansions of firms are highly influenced by foreign institutional knowledge, which trigger firms to undertake multiple strategic actions in onetime. Foreign institutional knowledge helps firms to develop their absorptive capacity which in turn generates new dynamic capability in the learning process to solve the complex problem (Fletcher et al., 2013). The necessity of accumulating foreign market knowledge is not

limited to founding stage of the firm (Brennan & Garvey, 2009). It is a steady process that continues to sustain in the international market. Foreign market knowledge improves entrepreneur's human capital because the learning from knowledge requires the effective practice of entrepreneurial human capital such as education and work experience (Chandra et al., 2009). If adequate foreign institutional knowledge is gained, the chances of transnational entrepreneurship will arise as a career option (Lundberg & Rehnfors, 2018). Pellegrino and McNaughton (2015) suggest that foreign institutional knowledge is critically important to develop new products during the internationalization process because such knowledge facilitates firms to introduce new products and services which are legally permitted in that international market. These arguments above lead to the following hypothesis:

H2: Foreign institutional knowledge positively enhances the IOR process of export manufacturing firms.

Internationalization knowledge is viewed as a fundamental resource to develop successful business strategy to achieve sustainability. It helps to develop dynamic and incremental business strategy such as strategic renewal (Riviere et al., 2018). It also creates the bridge between firm's capability and market's need (Eriksson et al., 1997). Internationalization knowledge is more critical for survival in the international market for the subsequent years (Chandra et al., 2009). It facilitates firms to improve its ability to respond to incremental challenges in the international market (Eriksson et al., 1997), through realization of opportunities (Åkerman, 2015). More internationalization knowledge will bring coordination and integration and enable firms to understand the volatile situation better and prolong firm's ability to survive. Existing internationalization knowledge can be both explicit and tacit, and the injection of this knowledge enables firms to uncover new knowledge (Crossan & Berdrow, 2003). This new knowledge can be translated to new opportunities and provide improvements in the existing strategy and international market expansions. New knowledge

encourages firms to enter the new and distant markets and escalate firm's existing commitments in the international market (Francis & Collins-Dodd, 2004). Firm acquires internationalization knowledge because it wants to capitalize on its resources and build competitive capabilities (Ruzzier et al., 2017). Therefore, this study proposes:

H3: Internationalization knowledge positively enhances the IOR process of export manufacturing firms.

(Figure 1 goes here)

International opportunity recognition

Recognition of opportunity is the core concept in entrepreneurial firms. IOR is a broad concept, which includes various entrepreneurial actions, such as to create new goods and services; identify sources of new resources and raw materials; identify advance machinery to reduce cost; critically search for cost-effective operational methods from competitors; new strategies of market capitalization, and new market entry, which in turn create economic value to the firm. The nexus of IOR in early internationalization of businesses is already established (Mainela et al., 2014). Zahra et al. (2008), Chandra et al., (2012, 2015), and Muzychenko and Liesch (2015) have highlighted the importance of IOR in export-oriented internationalization firms.

The mobilization of IOR in the firm requires entrepreneurial actions to explore and exploit the opportunities that emerge from the international market, inside and outside of the firm to create tangible and feasible future economic value by utilizing adequate resources and competencies (Mostafiz, Sambasivan, & Goh, 2019c). The exploration of opportunity suggests that entrepreneurs should be alert and deliberately search for activities which lead to transformation and achievement of economic value (Muzychenko & Liesch, 2015). The exploitation part of opportunity focuses on a systematic search of opportunities and evaluating the feasibility to exploit them based on given resources and the ability to create

economic value (Wood et al., 2012). Entrepreneurs should be optimistic in order to exploit opportunities. Previous studies documented that knowledge has an influence on first-time international opportunity recognition (Chandra et al., 2009); motivation to internationalize (Zahra et al., 2005); and recognition of market opportunities (Johanson & Vahlne, 2009). The IOR process is only worthy when it creates economic value and confirms sustainable international growth (Andersson & Evers, 2015). IOR positively mediates the relationship between networking capability and export performance (Mostafiz et al., 2019c). IOR also decreases the liability of foreignness (Chandra et al., 2012). In fact, a large portfolio of international opportunities are critical for firm's international success (Chandra et al., 2015). Evidence has showed that entrepreneurial cognitive ability enhances the performance of the firm through the mediating mechanism of IOR (Kiss et al., 2015). Hence, it implies that entrepreneurial cognitive ability is the mechanism to fabricate knowledge. Similarly, the social network of experienced entrepreneurs improves firm's performance through recognising correct international opportunities (Danis et al., 2011). Bhagavatula et al. (2010) and Ellis (2011) also highlight the importance of international opportunities to enhance firm's performance. These above reasonings lead this study to propose:

H4: IOR positively mediates the relationship between foreign market knowledge (foreign business knowledge, foreign institution knowledge, and internationalization knowledge) and the financial performance of export manufacturing firms.

H5: IOR positively mediates the relationship between foreign market knowledge (foreign business knowledge, foreign institution knowledge, and internationalization knowledge) and the non-financial performance of export manufacturing firms.

Research Methodology

Research design and sample

The context of the study is the apparel industry of Bangladesh. This industry is one of the prominent industry from emerging economies and ranked second in regards to export ready-made garments (WTO, 2017). These firms are listed in BKMEA (<http://www.bkmea.com>) and BGMEA (<http://www.bkmea.com.bd>), and export 100 percent of their finished goods to foreign firms from their inceptions as direct exporters (Mostafiz et al., 2019c). These firms also play the role as the contract manufacturers for large multinationals in the developed markets. Using random sampling method (Hair et al., 2010), 800 questionnaires (in English language) were distributed physically to the firms from the population of five thousand registered firms in BKMEA and BGMEA lists. Approximately, four hundred questionnaires were received, and the response rate was fifty percent. The entrepreneurs/founders provided the information on FMK and IOR. If the entrepreneurs/founders were unable to provide data due to their busy schedule, then we contacted the second person-in-charge of the firm, face-to-face, such as general manager or deputy general manager. Financial information was collected from the finance manager and non-financial data was collected from operational managers (physical interview). After handling the data through univariate and multivariate outliers based on Mahalanobis *D-square* test ($p < 0.001$), eighteen cases were deleted, and 382 valid cases were left for further analysis. We checked the normality of the data by computing Skewness and Kurtosis test (Tabachnick et al., 2001).

Measurement

FMK (foreign business knowledge, foreign institutional knowledge, and internationalization knowledge) items were adapted from previous studies of Eriksson et al. (1997), Autio et al. (2000), and Hadley and Wilson (2003). Four items were used to measure foreign business knowledge such as knowledge about competitors/clients/customers, and foreign markets. Three items were used to measure foreign institutional knowledge construct, such as knowledge about language and norms/laws and regulations and host government agency.

Lastly, three items were used to measure internationalization knowledge, such as international experience, handling business contracts and foreign operations. This study omitted the item from internationalization knowledge in regard to determining foreign business opportunities to mitigate the risk of tautological assumption between FMK and IOR. All items of FMK were measured by using the seven-point Likert scale and as reflective construct by following Musteen et al., (2014).

IOR was operationalized by using eight items adapted from Ko and Butler (2006), Puhakka (2007), and Mostafiz, Sambasivan and Goh (2019d). Out of these eight items, four measured exploration and four measured exploitation of opportunities. IOR captured the value, novelty, and uniqueness of international opportunities in terms of new goods and services, sources of new resources & raw materials, advance machinery, cost-effective operational practices; strategies of market capitalization, and new market entry. These items were measured by using the seven-point Likert scale. Financial performance as dependent variable is measured by adapting objective items to capture the profitability of the firms (return on assets and return on equity) (Cerrato & Piva, 2015). The non-financial performance captured operational performance and perceived success (eight items) of the firm in the international market (Gerschewski et al., 2015; Hult et al., 2008). The psychological separation of the questionnaire (see appendix 1 for questionnaire) through multiple waves and the adaptation of subjective and objective measurements help the study to handle the impact of common method bias variance (Chang et al., 2010). This study controlled endogenous variables of the study through firm size and firm age. The number of employees was the common and widely accepted item to operationalize firm size. Similarly, firm's age was measured by the years of international experience of the firm.

Results

Descriptive statistics

Majority of the sample firms started their operation as small firms, however incrementally they became medium-sized organization. Approximately 50% of the firms consisted of more than five-hundred employees. This is because the apparel manufacturing industry of Bangladesh is a labour-intensive industry. Forty four percent of the firms were ten or less than ten years old and only 11.51% of the sample firms were more than twenty years old. Table 1 highlights the mean value, standard deviation, the correlation between constructs, normality, and variance inflation factors (VIF). Results show that data are normally distributed for each construct (range +2 to -2), and the effects of multicollinearity are minimal ($VIF < 5$) (Hair et al., 2010).

(Table 1 goes here)

Reliability and validity

Table 2 highlights the results of reliability, validity and standard loadings of each construct. Cronbach alpha and composite reliability (CR) of each construct show that the items are reliable and internally consistent ($\alpha > 0.70$; $CR > 0.70$) (Hair et al., 2010). The average variance extracted (AVE) value of each construct is higher than 0.500; therefore, the effect of convergent validity is minimal. The square root of AVE value (highlighted in Table 1) of each construct is higher than the correlation of subsequent constructs, which confirms that there is no discriminant validity issue between constructs (Fornell & Larcker, 1981).

(Table 2 goes here)

Hypothesis testing

We performed confirmatory factor analysis (CFA) to investigate the validity of the constructs (Hair et al., 2010). The standard loading of each item is higher than 0.500 (highlighted in Table 2), which is considered adequate (Hair et al., 2010). Table 3 highlights the results of model fit indices for both measurement model and structural model. There are no significant differences between the results of measurement model and structural model. In fact, both the models show adequate and acceptable model fit indices (Hair et al., 2010). Table 4 highlights

the results of direct, indirect, and total effects (hypothesized relationship) by using structural equation modelling (SEM). Bootstrapping procedure (5000 re-samples) was used to perform the mediation analysis (Hayes, 2013). Furthermore, firm age and firm size controlled the performance. This study identified direct relationship between foreign business knowledge and IOR ($\beta = 0.377$, $p = 0.000$) (*H1 is supported*); foreign institutional knowledge and IOR ($\beta = 0.396$, $p = 0.000$) (*H2 is supported*); and internationalization knowledge and IOR ($\beta = 0.151$, $p = 0.000$) (*H3 is supported*). There were no direct relationships identified between the dimensions of FMK and performance of the firm (Table 4). The effects of IOR on financial performance ($\beta = 0.133$, $p = 0.014$) and non-financial performance ($\beta = 0.643$, $p = 0.000$) were significant (*H4 and H5 are supported*). The standardized observed R-Squared values were: 0.606 for IOR, 0.509 for financial performance and 0.513 for non-financial performance.

(Table 3 goes here)

(Table 4 goes here)

Discussions and Implications

The primary question that is addressed in this study is: *what effect IOR has in the relationship between FMK and the performance of export manufacturing firms?* Five hypotheses were proposed in this study. Our result confirms that IOR fully mediates the relationship between the dimensions of FMK and the performance of the firms, which indicates that all hypotheses are supported. The study was conducted on export manufacturing firms in the apparel industry of Bangladesh. Firms from this industry are very much export oriented, and this study identified, knowledge plays very significant role in this industry. The findings of this study have significant insights into early internationalized business, international entrepreneurship, knowledge accumulation, and international opportunities literature. This study unfolds the relationship between foreign market

knowledge, IOR, and international performance. Following the appeal of Fletcher et al. (2013) on international knowledge, Mainela et al. (2014) on international opportunity, Knight and Liesch (2016) on export oriented firms and Tabares et al. (2015) on emerging economies, this present study contributes through empirical evidence on the relationship between FMK, IOR and firm performance. This research paves the way by resolving essential caveats in early internationalization research (Knight & Liesch, 2016) and shows the expedient ways to expand international business and sustain in the competitive international market.

The results of this study support the concept of organizational learning. Knowledge is a valuable resource if firms can learn, execute, and create economic value by transferring knowledge into learning (Gil & Carrillo, 2016). Knowledge also can be viewed as an important source which facilitates firms to unlearn old routines and adapt new transformation. Accumulation of FMK is an ongoing business assignment (Eriksson & Chetty, 2003). However, accumulation of knowledge and creating value from that knowledge are two different entities. In our study, IOR is the bridge between FMK and performance. This study captures business knowledge as the knowledge about competitors, clients, consumer demands, active marketing and distribution channels. This importance of information is immense in international business success and IOR is the primitive determinant for firms success (Chandra et al., 2015). Correct and effective information regarding the client's preference stimulates firms to create new ideas, which in turn generate new opportunities. The timing to introduce new product/service also relies on the demand of the consumer. Our study also reveals that information regarding active marketing and distribution channels are the sources of IOR in the international market. Since the sample of the survey is apparel industry, international trade fairs are accurate places as sources of information to accumulate information and develop the firm's knowledge base.

Hypothesis 2 states a positive relationship between foreign institutional knowledge and firm's performance. Opportunity is only worthy when it has the feasibility. This study suggests that knowledge on foreign institution plays the active role to make opportunity feasible and exercisable. Foreign institutional knowledge indirectly improves the firm's financial performance. This result indicates that knowledge plays a significant role to achieve reconfiguration of resources through IOR. Our study supports the concept of Kotha, Rindova, and Rothaermel (2011) with regards to delivering financial performance, where knowledge plays the significant role. If international entrepreneurs are aware of foreign institutional knowledge, then they pursue new market expansion with less delay (Reuber & Fischer, 1997). Firms from apparel industry require responding to extraordinary demands and trends of the market. Transformation of idea to opportunities and the feasibility of those opportunities are questionable if the firms fail to accumulate and learn from foreign institutional knowledge.

Hypothesis 3 represents a positive association between internationalization knowledge and IOR. This study captures internationalization knowledge based on international experience, managing the foreign operation, and dealing with the foreign contracts. These experiences of managers provide an edge to gain significant diverse background in international market. Our result supports the idea of Gruber, MacMillan, and Thompson (2012, 2013). The knowledge accumulation plays a significant role to translate entrepreneur's experience to opportunities. Diversified knowledge is pivotal to achieve success in the international market. The scarcity of resource and capabilities are common in firms from emerging economies and IOR requires effective decision-making skills to allocate resources in recognition process. Internationalization knowledge improves know-how capability of the firm to engage in the international market through identifying and adapting valuable resources and capabilities. It enables firms to take appropriate action to capture

global market through various opportunities. Our findings also support the study of Riviere et al. (2018) where internationalization knowledge plays a crucial role in fostering strategic renewal. Greater understanding of internationalization knowledge shapes innovative, creative, and feasible opportunity to achieve financial and non-financial success. This causal link between internationalization knowledge and IOR enhances entrepreneurial skills and ability to explore and exploit the correct international opportunity to shape international efforts (Pandza & Thorpe, 2009). We contribute to the literature by suggesting that the failure risk in export manufacturing firm is high amongst all international firms; therefore, useful information minimizes the challenges and risk propensity by increasing the cognitive ability of entrepreneurs in recognising correct international opportunity (Acedo & Florin, 2007).

Hypotheses 4 and 5 are supported, which indicate that IOR (fully) mediates the relationship between FMK and firm performance. This result supports the findings of Musteen et al. (2014), where the direct effect of FMK on firm performance is not significant at $p < 0.05$ level. As a fact, the mediation mechanism is undoubtedly important to connect FMK and firm performance. The result also supports the importance of IOR in early internationalizing business (Mainela et al., 2014). Knowledge requires effective analysis, transformation, and realization to create economic value (Jayasingam et al., 2013). Åkerman (2015) suggests that FMK facilitates better opportunity realization to achieve venture growth. The more the knowledge firms have regarding the market, the chances of recognising new opportunities are higher. The indirect relationship between FMK and non-financial performance of firm suggests that IOR facilitates entrepreneurs to develop international footholds, achieve the global presence, and strategically locate in a productive place. It is evident that diversity in knowledge helps the firms to recognise correct international opportunities. Correct information delivers opportunities for a more extended period rather than shorter and redundant opportunities. This study also supports the idea of Peiris, Akoorie,

and Sinha (2015) that opportunities create the link between knowledge creation and knowledge application. Hence, knowledge stock fosters the company by delivering unique opportunities and shapes the firm's financial and non-financial performance.

Conclusion, Limitation, and Future Research Direction

The fundamental idea of this research was to highlight the importance of IOR to create the bridge between FMK and firm performance. No wonder, the risk is higher in these types of firms than incremental internationalized firms. However, knowledge plays a significant role to mitigate these risks. The most considerable avenue we affix from this research is that knowledge helps export manufacturing firms to recognise correct international opportunities and enhance performance. Opportunities are rare and vulnerable. Therefore, valuable FMK is a pivotal antecedent to IOR.

However, few limitations of this study cannot be dropped. First, our samples represent low-tech apparel industry, therefore, the results might be different if high-tech industry, such as software firms. Certainly, the types knowledge, which are important for low-tech industry may not be suitable for high technology industry. Incorporation of the changes in international policies with regards to trade tariffs can add significant insights in the future research in similar context. To capture salient properties of opportunities, longitudinal research is required. Because some opportunities which are beneficial in short term, may not be beneficial in the long run. For example, many US firms ceased their international operations (i.e. manufacturing) and shifted the process home. Since new manufacturing sites in the international market are considered as IOR, decomposition of opportunities may bring economic value to the firm. Extensive research is required on: (1) why firms discontinue international operations, (2) to what extent domestic markets can deliver better opportunity than international market and (3) how does FMK play a role in encouraging entrepreneurs to

leave international market. Potential future research on FMK also can include sources of knowledge accumulation and how it improves the quality of FMK to enhance performance.

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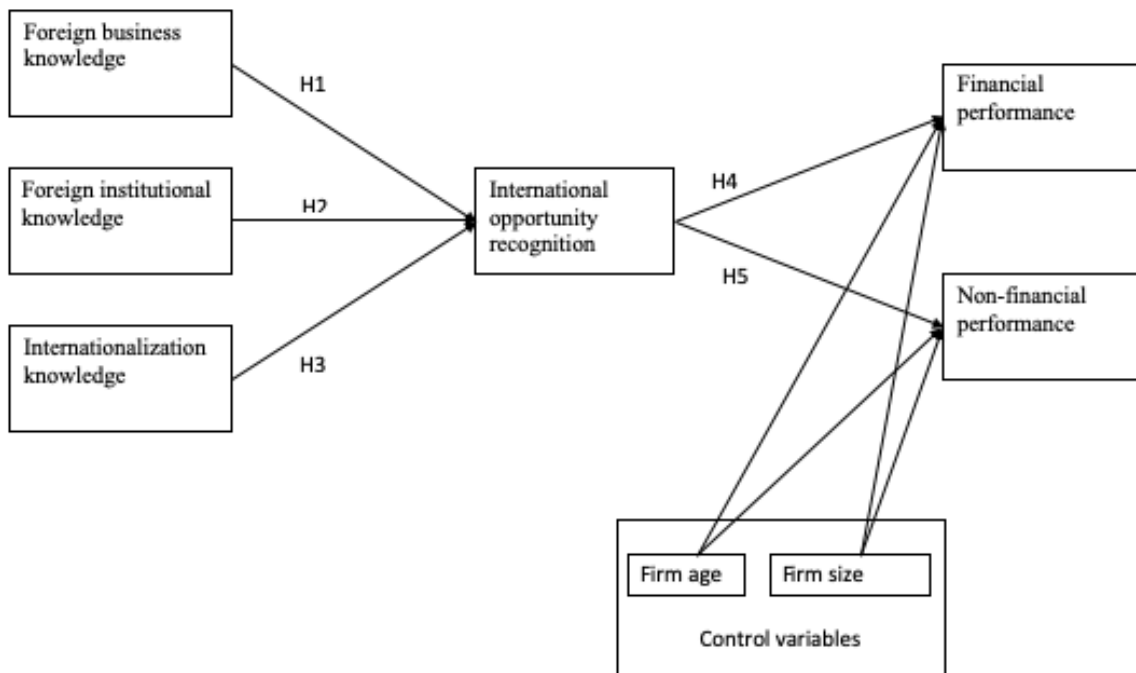


Figure 1 Conceptual Framework

List of Tables:

Table 1 Correlation matrix and descriptive statistics ($N = 382$)

Constructs in the model	1	2	3	4	5	6
(1) Foreign business knowledge	0.707					
(2) Foreign institutional knowledge	0.393**	0.721				
(3) Internationalization knowledge	0.430**	0.450**	0.746			
(4) International opportunity recognition	0.337**	0.331**	0.311**	0.732		
(5) Financial Performance	0.111*	0.135**	0.179**	0.241**	0.826	
(6) Non-financial performance	0.299**	0.277**	0.311**	0.301**	0.309**	0.765
Control variables						
Firm size	0.258**	0.315**	0.229**	0.532**	0.198**	0.507**
Firm age	0.187**	0.241**	0.230**	0.458**	0.171**	0.496**
Mean Score	21.97	16.57	16.58	44.43	9.83	49.39
Standard Deviation	2.3	1.8	1.8	5.2	1.8	6.7
Skewness: Statistics	-0.050	0.017	-0.125	0.031	0.099	0.294
Kurtosis: Statistics	0.339	0.015	0.294	-0.321	-0.854	1.696
VIF	1.492	1.504	1.500	2.459	1.117	1.649

Note: Diagonal is the square root of the AVE.

*Correlations significant at the 0.05 level

**Correlations significant at the 0.01 level

Table 2 Summary of the reliability and validity analysis

Items/Constructs	Std. loadings
Foreign business knowledge ($\alpha = 0.729$, CR = 0.793, AVE = 0.500, MSV = 0.401, MaxR(H) = 0.798)	
Top manager's knowledge about foreign competitors (mean = 5.53, SD = 0.755)	0.683
Top manager's knowledge about the needs of foreign clients/customers (mean = 5.47, SD = 0.751)	0.739
Top manager's knowledge about foreign distribution channels (mean = 5.47, SD = 0.782)	0.739
Top manager's knowledge about effective marketing in foreign markets (mean = 5.51, SD = 0.734)	0.634
Foreign institutional knowledge ($\alpha = 0.759$, CR = 0.764, AVE = 0.520, MSV = 0.386, MaxR(H) = 0.775)	
Top manager's knowledge about foreign language and norms (mean = 5.52, SD = 0.766)	0.676
Top manager's knowledge about foreign business laws and regulations (mean = 5.51, SD = 0.779)	0.793
Top manager's knowledge about host government agencies (mean = 5.54, SD = 0.711)	0.689
Internationalization knowledge ($\alpha = 0.765$, CR = 0.787, AVE = 0.557, MSV = 0.314, MaxR(H) = 0.827)	
Top manager's business experience (mean = 5.49, SD = 0.786)	0.592
Top manager's experience in dealing with foreign business contracts (mean = 5.54, SD = 0.768)	0.860
Top manager's capability for managing international operation (mean = 5.56, SD = 0.736)	0.763
International opportunity recognition ($\alpha = 0.910$, CR = 0.889, AVE = 0.536, MSV = 0.401, MaxR(H) = 0.894)	
Exploration of international business ideas in the past three years (mean = 5.62, SD = 0.810)	0.790
Exploration of international business opportunities in the past three years (mean = 5.58, SD = 0.838)	0.771
Modify/develop an international opportunity from idea generation to opportunity exploitation (mean = 5.53, SD = 0.850)	0.810
The novelty and the innovativeness of recognized international business opportunities (mean = 5.49, SD = 0.744)	0.772
The feasibility and the desirability of the novel or innovative ideas (mean = 5.52, SD = 0.831)	0.712
The pursuance of international opportunities in the past three years (mean = 5.53, SD = 0.815)	0.622
Shifting of organizational resources to capitalize on emerging opportunities in international markets (mean = 5.55, SD = 0.824)	0.710
Respond to changes in the international market and adapt to respond to external opportunities (mean = 5.61, SD = 0.827)	0.734
Non-financial performance ($\alpha = 0.788$, CR = 0.903, AVE = 0.526, MSV = 0.166, MaxR(H) = 0.920)	
New product and service introduction in international markets (mean = 5.43, SD = 0.901)	0.780
Time to market for new products/service internationally (mean = 5.46, SD = 0.889)	0.756
Number of successful new product/service in international markets (mean = 5.46, SD = 0.937)	0.795
Global reach (i.e., presence in strategically located countries worldwide) (mean = 5.51, SD = 0.907)	0.761
International reputation of the firm (mean = 5.51, SD = 0.916)	0.744
Gaining a foothold in international markets (mean = 5.53, SD = 0.901)	0.758
Success of main international business (mean = 5.57, SD = 0.899)	0.797
Success of main international business from competitor perspective (mean = 5.52, SD = 0.868)	0.721
Financial performance ($\alpha = 0.799$, CR = 0.810, AVE = 0.683, MSV = 0.118, MaxR(H) = 0.858)	
Return on assets (mean = 4.92, SD = 0.99)	0.919
Return on equity (mean = 4.90, SD = 1.06)	0.726

Table 3 Model fit indices

Model	χ^2	df	χ^2/df	(RMSEA)	RMSEA (90% C.I.)	GFI	CFI	NFI	RFI	IFI	TLI	SRMR	PCLOSE
Measurement Model	545.118	333	1.637	0.041	0.035-0.047	0.910	0.961	0.907	0.894	0.962	0.956	0.0335	0.994
Structural Model	682.461	380	1.796	0.046	0.040-0.051	0.896	0.950	0.895	0.879	0.950	0.943	0.0511	0.899

Table 4 Standardized direct, indirect, and total effects of exogenous variable in SEM model

Type of effects		Endogenous variable								
		International opportunity recognition			Financial performance			Non-financial performance		
		Beta	C.R.	p Value	Beta	C.R.	p Value	Beta	C.R.	p Value
Foreign business knowledge	Direct	0.377***	5.955	0.000	0.027n.s	0.584	0.169	0.044n.s.	0.418	0.527
	Indirect	-	-	-	0.050n.s	-	0.167	0.234**	-	0.038
	Total	0.377***	5.960	0.000	0.006n.s	-	0.946	0.205**	-	0.021
Foreign institutional knowledge	Direct	0.396***	5.764	0.000	0.028n.s.	0.385	0.782	0.032n.s.	1.62	0.098
	Indirect	-	-	-	0.054n.s.	-	0.135	0.250**	-	0.004
	Total	0.396**	5.761	0.000	0.021n.s	-	0.843	0.120n.s.	-	0.156
Internationalization knowledge	Direct	0.151**	2.445	0.014	0.100n.s	0.483	0.090	0.042n.s.	0.272	0.501
	Indirect	-	-	-	0.020n.s.	-	0.192	0.093n.s.	-	0.300
	Total	0.150**	2.44	0.011	0.054n.s.	-	0.459	0.110n.s.	-	0.197
International opportunity recognition	Direct				0.133**	2.368	0.013	0.643***	7.167	0.000
	Indirect				-	-	-	-	-	-
	Total				0.133**	2.281	0.014	0.643***	7.143	0.000

Notes: Critical ratio greater than 1.96 is significant at * $p < .05$, ** $p < 0.001$
n.s.: not significant

Short biographical note

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