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

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### **Abstract**

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

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global lens. In order to improve export performance, policymakers must also provide additional support to strengthen entrepreneurs' global vision.

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

## **1. Introduction**

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

2002; Sharma and Blomstermo 2003), which helped them enter international markets early and rapidly (Cannone and Ughetto 2014; Jones 2001; Reuber and Fischer 1997).

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

We also adopt the cognitive perspective to explain entrepreneurs' global vision—a subset of the global mindset—which has also been shown to differentiate early internationalisers from their gradual counterparts (Harveston et al. 2000; Oviatt and McDougall 1994; Moen and Servais 2002). IE research has limited its relevance by focusing only on the differences between incremental internationalisation and born globalness. From the pertinent research, a stylized view of early internationalising firms has emerged. These firms are initiated by an entrepreneur who has prior international experience and possesses a global vision. However, researchers have overlooked the potential link between an entrepreneur's prior experience (which may be broader than just international experience or

another single form of experiences) and global vision and how these two factors combine to create a performance advantage. We argue that prior experience cannot directly affect internationalisation performance; instead, it needs to be translated into an entrepreneur's cognitive thinking—in particular his or her global vision—to achieve performance advantage in international markets.

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

This study contributes first to the literature on HC by bridging the relationship between prior experience and the global vision of entrepreneurs and second to the literatures on International Business (IB) and International Entrepreneurship (IE) by explaining the mediating mechanism of global vision between prior experience and export performance. Finally, given that research on global vision is mostly focused on developed countries, another

contribution is that this study investigates entrepreneurs' prior experience and global vision in a least-developed country, Bangladesh. Given that most of the least-developed countries have common features such as labour-intensive manufacturing processes, vulnerable economic systems, and unstable governments, the findings of the study could be generalised to other similar economies with labour-intensive manufacturing industries.

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

## **2. Background Literature**

### *2.1 Prior experience and human capital theory*

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

capital is created by changes in persons that bring about skills and capabilities that make them able to act in new ways” (p. S100).

Two categories of HC, general and specific, have been given various definitions by different scholars (Becker 1994). General HC refers to overall education and practical experience, whereas specific HC pertains to education and experience which is limited in scope and applicable to a particular activity or context (Becker 1975). The entrepreneurship literature discusses entrepreneurs’ prior entrepreneurial, industry, managerial, and technical experience (Bates 1990). Although entrepreneurial HC has been thoroughly investigated, there are a number of conflicting findings (Unger et al. 2011). While it is assumed that all types of prior experiences ideally have a strong positive impact on firm performance, scholars disagree as to the impacts of different kinds of prior experience (Kennedy and Drennan 2001; Sandberg and Hofer 1987). For example, while Davidsson and Honig (2003) found that prior managerial experience does not affect entrepreneurial venturing, Jo and Lee (1996) reported that it is negatively related to performance. Perkins and Murmann (2018) agreed, arguing that prior managerial experience does not directly complement firm performance. Entrepreneurship research emphasises the role of the founding entrepreneur’s biographical and psychographic profiles and seems to ‘offer little hope of finding the key to improving new venture performance’ (Sandberg and Hofer 1987, p. 7). Kennedy and Drennan (2001) reported conflicting results in entrepreneurial HC literature published between 1977 and 2000 and suggested that the major rationale for these conflicting results may be that an entrepreneur’s prior experience interacts with organisational and environmental variables to influence performance. Research conducted after 2000 in this area also reported conflicting outcomes (e.g. Davidsson and Honig 2003; Dimov and Shepherd 2005; Hmieleski and Carr 2008). Herron and Robinson (1993), in an attempt to explain the failure to link entrepreneurial HC with performance, proposed a structural, causal model of the relationships. Based on

Hollenbeck and Whitener (1988) and Sandberg (1986) they derived ‘a psychology-based model’ of the relationship between entrepreneurs’ HC and venture performance which is indirect, mediated by motivation and moderated by abilities and context. They assert that this model could explain why entrepreneurship researchers have failed to link entrepreneurial characteristics to performance. As entrepreneurial HC is both mediated and moderated by other variables in their causal link to performance, they are likely to display only weak direct associations with performance despite the causal link between them. This model therefore explains why entrepreneur characteristics are insufficient predictors of entrepreneurial performance.

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

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

## *2.2 Global vision and cognitive capital*

IB literature focuses on global mindset, while IE focuses on global vision. The main difference—or link—between global vision and global mindset is that the former is considered a subset of the latter. A global mindset comprises attitudinal and behavioural components and can be measured in terms of entrepreneurs' global vision, proactiveness and commitment to internationalisation. Oviatt and McDougall (1994) described the importance of the global mindset while explaining the cognitive ability of an entrepreneurs in an early internationalising firm. Later work by Nummela et al. (2004) elucidating the global mindset

received considerable attention in IB literature: They postulated the global mindset as being international entrepreneurs' vision of cultural diversification and openness to promote internationalisation, which will increase the volume of international activities by creating synergy among diversity (Nummela et al. 2004). Two pivotal antecedents are critical for a successful strategic global mindset: a) efficient knowledge structure; and b) global vision (belief system) (Ramsey et al. 2016). Global mindset is considered as a resource and positive skill which drives managers to success internationally (Goxe and Belhoste 2018).

Harveston et al. (2000) defined the global mindset in terms of a founder's proactiveness and vision towards leading and managing their new ventures on international markets. We posit that global vision is a type of cognitive capital, which can be shaped by entrepreneurs' previous experiential knowledge and can convert entrepreneurs' prior knowledge into performance advantages in international business. Global vision as a type of cognitive HC is more strategic in nature (Crook et al. 2011), as the value it produces is greater than its costs and it is difficult for competitors to imitate or purchase in the strategic factor market for HC (Amit and Schoemaker 1993). Global vision enhances the organisational capability development process (Laurell et al. 2017), which in turn expedites international transactions for long-term strategic success, such as a firm's international footprint. Successful performance is not inevitable if international entrepreneurs are reluctant to nurture their global vision.

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

HC theory and RBT are complementary in that HC itself is a resource (Ployhart and Moliterno 2011). According to RBT, entrepreneurs' prior experiences and knowledge can be considered a valuable, unique, and hard-to-imitate resource that differentiates winners from losers and those who merely survive in global competition (Peng and York 2001). Because resources are

context-based, their value depends on the characteristics of a given environment (Zhou and Li 2010). The mere existence of a bundle of resources (such as prior experiential resources) does not necessarily guarantee a sustainable competitive advantage in the international market (Eisenhardt and Martin 2000; Teece et al. 1997). IE, as a complex area of competition, is radically different from domestic entrepreneurship. Therefore, we posit that global vision includes the necessary context to be linked with prior experience and performance outcomes in an international business setting.

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

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

IE is different from domestic entrepreneurship (McDougall et al. 2003). International markets are more dynamic and more environmentally turbulent; the tastes and preferences of overseas customers differ and thus require specific knowledge which cannot be achieved

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

### *3.1 The relationship between prior experience and global vision*

Three entrepreneurial capabilities underpin successful IE: international opportunity identification, institutional bridging, and the capacity for cross-cultural collaboration (Karra et al. 2008). At the core of these capabilities is the entrepreneur's global vision (Karra et al. 2008), which stems from the pre-existing experiences he or she accumulated before founding a firm. Prior entrepreneurial, managerial, industrial and technical experience all help an international entrepreneur to do well in the current international business setting. Prior industry experience grants access to previously established networks and broadens an entrepreneur's network (Barringer et al. 2005). Furthermore, entrepreneurs with prior start-up

experience have a more complex and realistic view of their role and what it entails (Farmer et al. 2011). It takes time and persistence for an individual interested in becoming an entrepreneur to generate the cognitive knowledge (e.g., Mitchell et al. 2002) and motivational structures required to successfully identify opportunities and shape subsequent action (Shane and Venkataraman 2000). Davidsson and Honig (2003) found that previous entrepreneurial experience was positively related to the probability of entry into nascent entrepreneurship and making progress in exploiting the opportunity. Similarly, Ucbasaran et al. (2008) found that entrepreneurial experience allows individuals to identify more opportunities and exploit more innovative opportunities. Prior start-up experience provides tacit and explicit knowledge, role familiarity and social networks which can help the entrepreneur develop a broader vision to do business on a global scale.

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

experience will have a broader perspective on international business; they will also be more alert to new information and international opportunities. Therefore, we hypothesise that:

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

### *3.2 The relationship between global vision and export performance*

According to Gabrielsson et al. (2008), global vision is a necessary and sufficient condition for early internationalisation and success. Based on case studies of eight international new ventures in Greece, Norway, Finland and Italy, they proposed that a global vision enables a firm to rapidly enter and penetrate international markets, indicating that global vision is directly related to international performance. Andersson (2000) found that proactive international entrepreneurs were the most important factor explaining why new firms expanded internationally. It is individuals, not organisational routines, which play the most significant role in decision-making in early internationalising firms (Oviatt and McDougall 1997). In fact, for export-oriented manufacturing firms, "having international commitment and possessing intensive global vision" (Mostafiz et al., 2019a, p. 358) will secure sustainable long-term international performance. This emphasises the importance of entrepreneurs' global vision and cognitive ability in international market entry and success. Cognitive ability has been consistently shown to be a valid predictor of job performance (Hunter and Hunter 1984), a finding which can also be extended to internationalisation performance. Based on the discussion above, we hypothesise that:

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

### *3.3 The mediating role of global vision*

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

Global vision can be thought of as ‘intermediate goods’ generated by entrepreneurs to enhance the productivity of their HC (Amit and Schoemaker 1993)—it is the intermediate input which links the primary input of prior experience to export performance. As a set of prior experiential resources, HC lacks a dynamic dimension (Foss and Ishikawa 2007), but it allows for the proactive development of dynamic cognitive capability (Wernerfelt 1984)—the global vision of the entrepreneur. While these prior experiences can be instrumental to the early and rapid internationalisation of firms, they are not likely to profit the firm unless they are activated by entrepreneurial and managerial cognitive efforts and motivation (Castanias and Helfat 2001). We argue that prior experience and knowledge is necessary but not sufficient to produce performance outcomes in the dynamic international environment.

Although experience gained in one situation can be transferred to another (Nerkar and Roberts 2004), this transfer is not likely to be successful unless interposed by a contextual element or agent. Because organisational performance does not depend on ‘how much decision makers know, [but] rather on how they use what they know’, the mindful use of prior experience enables an entrepreneur to better anticipate and respond to unexpected changes and opportunities in a dynamic environment (Rerup 2005, p. 452). This is only possible in IE when entrepreneurs’ global vision mediates their prior experience.

Mindfulness is characterised by cognition, updating, and action (Louis and Sutton 1991; Sternberg 2000; Ucbasaran et al. 2003) which is represented by the concept of global vision in this study. Mindless use of prior experience (i.e., its direct impact on export performance) may not always produce success because entrepreneurs with prior experience are (a) narrowly focused with regard to how they perceive problems and seek solutions (Miller 1993), (b) most likely to fail to notice meaningful external changes and modify heuristics which worked in the past (March 1991), and (c) overconfident and tend to overestimate likely outcomes based on previously achieved but narrower experiences (Shepherd et al. 2003). This can further be explained by what Prahalad and Bettis (1986) called ‘dominant logic’, which they defined as ‘the way in which managers conceptualise [their] business and make critical resource allocation decisions’ and described as being ‘*stored via schemas and hence can be thought of as a structure*’ (p. 490). This is a worldview of businesses and the administrative tools needed to make decisions and accomplish goals therein. Due to the dominant logic developed through prior experiences, relatively inexperienced entrepreneurs tend to anticipate that any environment they face will be very similar to those they have dealt with in the past (Bettis and Prahalad 1995). Dominant logic developed by prior experiences constrains entrepreneurs’ ability to learn and adapt to new environments. If their dominant logic matches the current environment, there is little need to

change it: In this sense, prior experiences can produce positive performance outcomes. However, in reality, no two situations are entirely identical, and entrepreneurs must be able to adapt their prior experiences to current contexts (Feldman 2000; Szulanski 2003). Prior experiences may thus fail to have significant direct impact on the export performance of early internationalising SMEs in a dynamic international marketplace, although they can have a significant positive impact when channelled through entrepreneurs' cognitive ability — a global vision specific to international business. The utility and applicability of prior experience and knowledge will be even further limited for early internationalising firms than for their gradually expanding counterparts, as the former anticipate more dynamism in the market due to the liability of their newness. International markets are more dynamic and more environmentally turbulent; the tastes and preferences of overseas customers differ and require specific knowledge which cannot be achieved through operating or experiencing in domestic markets alone. This argument leads us to the following hypotheses:

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

## **4. Research Methodology**

### *4.1 Survey design and data source*

We drew data from the export-oriented apparel industry of a South Asian emerging economy, Bangladesh. The industry has emerged as the second-largest apparel exporter in the world after China. While China and its export industries, including apparel, have received much attention in academic research, Bangladesh has been neglected. Compared to China, Bangladesh is a very small country, despite its massive population of 180 million; it has also

been beset by political chaos and disorder, and is frequently affected by natural disasters. The country also lacks proper infrastructure and government institutions suitable for the emergence of such a large and thriving industry (Mostafiz et al. 2019b). Despite all this, this industry's success, in the form of the emergence of more than 4500 early internationalising firms ([www.bgmea.com.bd](http://www.bgmea.com.bd)) that are legally bound to make only international sales to benefit from government promotion schemes (Faroque 2015), is indicative of the global vision of local entrepreneurs. This industry provides an exciting platform to study how entrepreneurs' past experience and knowledge is helping them realise performance outcomes by capitalising on their global vision.

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

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

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

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

#### *4.2 Measurement*

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

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

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

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

*[Insert Table 1 about here]*

## **5. Data Analysis and Results**

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

measurement model estimation, which relates the constructs to the measures; and (b) structural model estimation, which relates the constructs to each other.

### *5.1 Measurement model estimation*

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

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

*[Insert Table 2 about here]*

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<sup>2</sup> Issues of discriminant validity could be eliminated if the AVE (Average Variance Extracted) value of the construct is higher than MSV (Maximum Shared Variance) values (Fornell and Larcker 1981).

## 5.2 Structural model estimation

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

*[Insert Table 3 about here]*

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

## 6. Discussion and Implications

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

assumptions regarding the strategic imperatives confronting their organisations, with a view to broadening their perceptions. The aim of such an exercise is to attain the requisite variety in mental models necessary in order to anticipate the future and develop a strategically responsive organisation, thus mediating the potentially deleterious impact of cognition on action.”

### *6.1 Implications*

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

As entrepreneurs’ prior experience is positively related to global vision, which is of utmost importance for achieving performance outcomes, government export assistance can be targeted to potential entrepreneurs who have sufficient prior experience. Our results support Hempel and Sue-Chan’s (2010) idea that prior experience enables firms to evaluate how they

assimilate information in order to optimise their performance. To directly influence export performance, public policymakers must also provide support in those areas in which entrepreneurs lack expertise—especially in strengthening the global vision of entrepreneurs. Academic institutes could offer IE courses and training programmes, which could in turn broaden entrepreneurs' confined vision. Several types of specific assistance programmes, such as trade fairs and foreign trade missions, can also be instrumental in extending apparel manufacturers' global vision. Denis and Depelteau (1985) reported that participation in trade fairs and trade missions is associated with export market diversification. Participation in such fairs and missions can help upgrade apparel entrepreneurs' cognitive ability and global vision. Interaction with potential foreign buyers will help entrepreneurs and managers develop their global vision because this vision is developed through the process of interacting with people and the environment (Gupta and Govindarajan 2002).

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

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

Although this study offers several contributions to the study of export and manufacturing, it is not free from limitations, which leaves space for future research. First, due to the lack of a well-developed multi-item and multidimensional global vision construct, we used a single-item construct which may be limited in scope. Scholars can examine specific

cognitive abilities, which may better reflect entrepreneurs' wider and holistic 'global vision'. In addition to entrepreneur's prior experiences, other entrepreneur- and firm-specific factors may also have an impact on early internationalising firms' performance. While we controlled for some key firm-related factors, other factors relating to entrepreneurs' HC and performance, such as environmental dynamism and industry dynamics (Lumpkin and Dess 2001), may also be considered in future studies. As most governments offer a wide range of assistance programmes for exporters —especially Bangladesh to its apparel export businesses (Faroque and Takahashi 2015)— future research should also control for government assistance and assess how governmental assistance moderates the relationship between entrepreneurs' HC and performance. In low-tech industries such as apparel, networking and process innovation also play an important role (Faroque, Morrish and Ferdous 2017), which could be linked to entrepreneurs' prior experience and global vision. Furthermore, domestic environmental conditions characterized by high uncertainty may encourage entrepreneurs to become international at an early stage (Dimitratos et al. 2004), as could high export market dynamism and uncertainty (Boso et al. 2013; Lisboa et al. 2013), which would be an interesting future research agenda in such a research setting. Kennedy and Drennan (2001) also noted that conflicting results of prior experience may be due to the fact that an entrepreneur's prior experience interacts with organisational and environmental variables to influence performance. Hence, future research should investigate the moderating influence of organisational and environmental variables.

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

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## List of Tables

**Table 1.** Measurement scales and properties

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

Notes:

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

CR=Composite reliability; AVE=Average variance extracted

\* *Single item, not applicable.*

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

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

Notes:

Diagonal is the square root of the average variance extracted.

Correlations greater than 0.13 are significant at the 0.05 level.

Correlations greater than 0.17 are significant at the 0.01 level.

Number of observations is 332.

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

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

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

Number of observations is 332.