

**The Performance of Export Manufacturing Firms: Roles of International Entrepreneurial Capability and International Opportunity Recognition**

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## **The Performance of Export Manufacturing Firms: Roles of International Entrepreneurial Capability and International Opportunity Recognition**

### **Abstract**

**Purpose:** The international entrepreneurial capability has achieved its legitimacy in international business literature. Leveraging capabilities to recognize opportunities are considered a pivotal strategy to achieve success. Drawing on entrepreneurship literature and opportunity perspective, this study investigates the role of international entrepreneurial capability in enhancing international opportunity recognition (IOR) process and the performance of export manufacturing firms.

**Design:** Structural equation modelling has been used to test the hypothesised relationship on 388 export-manufacturing entrepreneurial firms operating in the apparel industry of Bangladesh.

**Findings:** The results signify that three international entrepreneurial capabilities, namely, international networking capability, learning capability, and marketing capability positively enhance the IOR process of export manufacturing firms. IOR process positively mediates the relationships between these international entrepreneurial capabilities and firm performance.

**Originality:** Merely having the international entrepreneurial capability is not sufficient to escalate the firm performance. It must be amplified by various strategic actions such as IOR process. Entrepreneurs need to capitalise on the international entrepreneurial capability to leverage IOR process and generate non-financial performance success. Entrepreneurial firms that focus more on stimulating non-financial performance can secure better financial performance.

**Keywords:** *international entrepreneurial capability; international opportunity recognition; marketing capability; networking capability; learning capability; innovation and risk-taking capability.*

## Introduction

International entrepreneurial capability is defined as a combination of international learning capability, innovative and risk-taking capability, international marketing capability, international experience, and international networking capability to leverage resources by exploring and exploiting international opportunities (Zhang, Tansuhaj, & McCullough, 2009). These capabilities are also considered as dynamic capabilities to address the volatile business environment and achieve firm performance. Zhang et al. (2009) have explained how these capabilities play a role in exporting firms in achieving international performance. Export firms are defined as “business organisations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries” (Knight & Cavusgil, 2004, p. 124). These types of firms generate maximum revenue from foreign markets (Knight & Liesch, 2016). International entrepreneurship literature gives increased attention to explain the characteristics of exporting firms because these firms are entrepreneurial, innovative, globally intense, and dynamic (Knight, Madsen, & Servais, 2004). International entrepreneurial capability plays a significant role in export manufacturing firms by developing their abilities to respond to strategic changes that emerge due to technology, new opportunities, availability of resources, business volatility and so forth (Zhang, Gao, & Cho, 2017). The context of this study is the firms operating in the apparel industry in an emerging economy, Bangladesh. The fundamental question that is addressed in this research is: *how does international entrepreneurial capability improve international opportunity recognition process and the performance of export manufacturing firms?*

Export manufacturing firms operating in the apparel industry of Bangladesh are ranked third after China in terms of exporting readymade garment products and contributing to the

global economy (WTO, 2017). The Chinese apparel industry is significantly different from the apparel industry of Bangladesh. China has the strongest economy among the emerging economies and is well off with productive human capital and technological advances. The level of sophisticated skills and abilities, the adaptation of innovation and business model innovation are much higher in China compared to other economies (Gereffi & Frederick 2010). Most of these firms operate in the B2B international market (Donaghey & Reinecke, 2018). On the other hand, Bangladesh is a densely populated country with a volatile business environment, which includes lack of infrastructure, major political chaos, corruption, and unskilled human capital (Donaghey & Reinecke, 2018). Even though the country has been suffering from major issues, the apparel industry is thriving. Mostafiz, Sambasivan and Goh (2019a) argue that these firms operating in the apparel industry of Bangladesh are international entrepreneurial firms and therefore, continuous development of appropriate capability of entrepreneurs is significantly crucial for future sustainability. Cookson (2017) documents that Bangladesh exports nearly US\$5.5 billion worth of readymade garment products to the U.S. Cookson also reports that *Bangladesh must prepare itself for meeting the rising demand of the apparel products in the future*. In order to sustain in the international market, Gereffi and Frederick (2010) urge capability development to respond to the challenges in the international market. Mostafiz et al. (2019b) argue that the success of these international entrepreneurial firms solely hinges on the capabilities of entrepreneurs through recognising opportunities. Luo and Zheng (2018) have articulated that IOR process is a critical success factor for leveraging the international entrepreneurial capability to achieve firm performance.

Capabilities of entrepreneurs are critical to explore and exploit appropriate international opportunities (Zhang et al., 2009). Innovative, proactive, and risk-taking abilities are critical

characteristics of international entrepreneurs to recognise new international opportunities. International opportunity recognition (IOR) is a process to identify, discover and create new cross-border opportunities (Vahlne & Johanson, 2013). The concept of opportunity is not only about identifying new buyers or entering a new market, but it is also about a set of ideas, beliefs, and feasible actions to create and develop new or existing products and services, improvising production mechanism, identifying new sources of raw materials, and recognising opportunities to achieve higher economies of scale to penetrate the existing or entering a new market (Mostafiz et al., 2019b). Researchers have argued that opportunity recognition is the most important and essential activity for firms' international development (Chandra, Styles, & Wilkinson, 2012). IOR process includes both exploration and exploitation of opportunities and helps a firm to mobilise relevant resources (Cao, Liu, & Cao, 2014). Chandra et al. (2012) have argued that IOR can lead a firm to new international market entry along with new products/services. It is worth noting that not all opportunities are available at one time to all entrepreneurs (Shane & Venkataraman, 2000). Thus, entrepreneurial capability plays a significant role in recognising new and correct opportunities for internal efficiency and international expansion.

Previous studies have documented that IOR mediates the relationship between internet marketing capability of international entrepreneurs and firm performance (Glavas et al., 2016). Kraus et al. (2017) have shown that experience and knowledge help improve IOR processes of the firms and achieve performance. Empirical knowledge on IOR process has research paucity in terms of combining international entrepreneurial capability, IOR process, and firm performance (Mainela, Puhakka, & Servais, 2014). Besides, little is known about the different strategic entrepreneurial mechanisms to recognise international opportunity (Kiss, Danis, & Cavusgil, 2012) in export manufacturing firms in the context of emerging economies (Gruber-Muecke &

Hofer, 2015; Knight & Liesch, 2016). This study has attempted to fulfil this research gap. The question that needs to be addressed is how entrepreneurs improvise the IOR processes of the firms continuously. This deficit in the early international business knowledge is noteworthy to investigate because recognising opportunity is a continuous process.

The contributions of this study are twofold. First, the study bridges the gap between international entrepreneurial capabilities and IOR process. Second, this study has analysed the entrepreneurial export manufacturing firms from an emerging economy, Bangladesh. Majority of studies on export manufacturing firms have been conducted in developed countries. Covin and Miller (2014) denote much of the research from emerging economies that links capabilities of international entrepreneurs, and international performance has been conducted on samples including, or solely limited to, Chinese firms. Therefore, this study contributes to the development of literature on emerging economies. Finally, the mediating role of IOR merits profound insights into the literature, which, in turn, can spur a plethora of management and international business research.

## **Theoretical Overview and Hypotheses Development**

### **International Entrepreneurial Capability**

International entrepreneurial capability is a firm-level capability, which helps entrepreneurs to become alert and act on the prospect of the international market (Zahra, Korri, & Yu, 2005). This capability of international venture holistically explains the process of developing various strategic actions to improve performance. International entrepreneurial capability changes over time and matures as the export manufacturing firms grow (Gabrielsson, Gabrielsson, & Dimitratos, 2014) enabling international entrepreneurs to leverage firm's resources to create economic value and achieve superior firm performance (Teece, 2012). Zhang et al. (2009) have

conceptualised the five dimensions of international entrepreneurial capability (international learning capability, innovative and risk-taking capability, international marketing capability, international experience, and international networking capability). The development of these capabilities is crucial in succeeding at each stage from inception to the expansion of the firm in the international market (Faroque et al., 2020).

Teece (2012) argues that superior firm performance is only possible when entrepreneurs are shaped with intrinsic skills and knowledge. Teece argues that continuous renewal of capabilities is key to the success of entrepreneurial activities. Covin and Miller (2014) mention that international entrepreneurial capabilities are the extension of entrepreneurial capabilities and these capabilities incorporate international market and theoretical conceptualisation of the internationalisation process. Superior international performance is only evident for firms with superior international entrepreneurial capability (Hennart, 2014). Knight and Kim (2009) coined the phrase *capability to competence* to describe networking skill, innovation and risk-taking orientation, international market orientation and international experiences, which are the critical determinants for the international success of international firms. Hennart (2014) labels the capability as international business competencies (Knight & Kim, 2009) and Jantunen et al. (2008) have labelled as entrepreneurial orientation. These are similar concepts inspired by the resource-based view of the firm. This study subscribes to international entrepreneurial capability proposed by Zhang et al. (2009). It is because international entrepreneurial capabilities solely incorporate all five capabilities, which are significantly crucial for international firms (Knight & Liesch, 2016).

Export manufacturing firms are often saddled with uncertainties such as scarcity of resources, limited human capital, and lack of financial capital and assets. It is the international

entrepreneurial capability of entrepreneurs that enable firms to mobilise tangible and intangible resources to respond to strategic changes (Zhang et al., 2017). International entrepreneurship can be viewed from three perspectives. Shane and Venkataraman (2000) have conceptualised entrepreneurship from an opportunity-based perspective which defines it as entrepreneurial actions to recognise opportunities to create future goods and services. Another perspective of international entrepreneurship has been proposed by Baker et al. (2005) which explains international entrepreneurship as a process of enactment and discovery of opportunity. By combining these two perspectives, Zhang et al. (2009) have conceptualised international entrepreneurship as a “firm-level capability to leverage resources via a combination of innovative, proactive, and risk-seeking activities to discover, enact, evaluate, and exploit business opportunity across borders” (p. 296) to achieve superior firm performance. However, to date, no study has empirically shown that international entrepreneurial capability enhances the IOR process of the firm. The sub-dimensions of international entrepreneurial capability explain only the resources and competencies leveraging mechanism.

### **International Opportunity Recognition (IOR)**

According to the economic theory of opportunity, entrepreneurial opportunities refer to the entrepreneurial action to create new goods and service, identify sources of new resources and raw materials, and create cost-effective operational methods such as technological advancement and innovative idea of market capitalisation which in turn confirms the economic value to the firm (Mostafiz et al., 2019b, 2019c). The nexus between IOR process and internationalisation business knowledge to achieve international performance is already established (Mainela et al., 2014). Scholars from early internationalisation business also merit much attention on IOR process of the firm to achieve international success (Chandra et al., 2012; Chandra, Styles, &

Wilkinson, 2015). Mainela et al. (2014) have noted that IOR is a process in which “a situation that both spans and integrates elements from multiple national contexts in which entrepreneurial action and interaction transform the manifestations of economic activity” (p. 16). On the contrary, Ellis (2011) has conceptualised IOR process as materialistic outcomes of entrepreneurial actions of exploration and exploitation. Ko and Butler (2006) have noted IOR process as "entrepreneur's perceptions of a feasible and desirable future state that is different from the current one, by providing the market with an innovative, novel product/service/technology either in an existing or a new venture" (p. 4).

The concept of opportunity is context-specific as firms from developed economies are keen to create new opportunities, whereas, firms in the emerging economies recognise (sometimes follow) the existing opportunities (Dana, 1995; Mainela et al., 2014). Tabares et al. (2020) mention that the level of uncertainty, infrastructure, formal and informal institutions, and technological advancement of a country play a significant role in the opportunity recognition process. Emerging economy amid uncertainties lacks required infrastructures and institutional supports (Ahmed & Brennan, 2019) which hinder the opportunity recognition process. Whereas, developed economies are gratified with strong institutional supports to acknowledge institutional void (Narooz & Child, 2017) and create a beneficial playing field for entrepreneurs. The mechanism behind the recognition process of opportunity also differs based on industries as well. For instance, in a B-2-C market, high-tech firms directly pursue customers by developing the brand and through extensive marketing of the product (Kano, 2017). However, in a B-2-B international apparel market, IOR is not only about finding new buyers or entering new markets; it is also about bringing opportunities for efficiency, in terms of the new manufacturing process (production efficiency), sources of raw materials, new types of machinery, designs and quality

(products), new suppliers, business expansion (attracting investments) and price advantage (Mostafiz, Sambasivan, & Goh, 2020). The continuous upgrading of manufacturing equipment is enormously essential for apparel manufacturing firms in emerging economies. Gereffi and Frederick (2010) highlight that “...intangible aspects of the value chain – marketing, brand development, and design, for example – have become more important for the profitability” of these firms (p. 173). It is noteworthy to mention that firms should invest in resources to improve capabilities to recognise new and correct business opportunities to become successful and to become an internationally exposed firm (Mostafiz et al., 2019b).

### **Relationship between international entrepreneurial capability and IOR**

International networking capability is the ability of entrepreneurs to develop relationships with foreign counterparts to create and develop an export manufacturing firm’s position in the international market (Mainela & Puhakka, 2011). International networking capability is critically important at every stage of business expansion and new involvement (Anwar, Rehman, & Shah, 2018). Inter-organizational and intra-organizational networking naturalises the process of knowledge flow and fosters communication between different groups both inside and outside the organisation. International networking capability is the ability to invent new connection and acquire a new source of resources (Mostafiz, Sambasivan, & Goh, 2020d). It also gives a competitive advantage by providing critical information regarding the changes in the policies of foreign market regulations (Castro-Gonzales, Espina, & Tinoco-Egas, 2017). The international networking capability of a firm is developed from social embeddedness and alliances creation (da Costa et al., 2018). It is the ability of the entrepreneurial firm to mitigate impediments and performance obstacles by responding to environmental uncertainty and getting access to valuable resources.

Mort and Weerawardena (2006) have conceptualised the development of a knowledge-intensive product as a new opportunity and have postulated that international networking capability helps firms to exploit global market opportunities. Authors mention that the development of international networking capability is a continuous process of early internationalised firms where the entrepreneurs nurture their previous network (fundamental) from the time of inception to subsequent years of international operation (secondary). Weerawardena et al. (2007) also stress on international networking capability of entrepreneurs to develop leading-edge knowledge-intensive products. Falahat et al. (2018) have found that international networking capability improves the marketing strategy of export manufacturing firms. International networking capability is a competitive resource (i.e. entrepreneurial) of a firm. Freeman et al. (2006) proffer that international networking capability helps firms to understand customer needs and respond to the complex international market. Export manufacturing firms can develop their competitive advantage by engineering international networking capability.

Early international literature denotes network to explain the actions of connected actors (Coviello, 2015). These actors of the network may be at the individual level or organisational level, and the social tie binds them in one relationship and improves the level of trust between stakeholders (Mostafiz, Sambasivan, & Goh, 2019e). Network relationships increase the chances of a firm's success through innovative ideas and specific knowledge. Recently, the social norm has been identified to complement the opportunity confidence and increase the likelihood of entrepreneurial actions (Emami & Khajeheian, 2019). Furthermore, the degree of internationalisation is closely linked with the development of formal and informal network relationships in export manufacturing firms. Firms with well-established networks are stimulated

to a higher degree of strategic decision. A robust international network relationship can mitigate the liability of resource scarcity, expand internationalisation, gain relevant market knowledge, and capitalise on new internationalisation market sooner than competitors (Reuber & Fischer, 1997). Therefore, we argue:

*H1: The relationship between international networking capability and IOR is positive in the context of export manufacturing firms.*

International learning capability is postulated as the firm-level capability to acquire, share, utilise, and keep possession of advance intelligence to plan and disseminate information to address rapidly changing environments in the international market (Zhang et al., 2009). International learning capability has been conceptualised based on organisational learning capability (Bhaskar & Mishra, 2017). This combination of the organisational learning capability and firm-level capability provides the mechanism for acquiring, sharing, and utilising the information, knowledge, and skills in a firm to formulate plans and continue this process to act and experiment with responses to strategic changes in the market (Garcia-Morales, Llorens-Montes, & Verdú-Jover, 2006) as well as achieve international performance (Altinay et al., 2016). However, it is a step-by-step process of the firm to learn the international market, which includes learning about government, market, environment, culture and so forth. The organisational learning includes cognitive learning, behavioural learning and action learning to recognise the opportunities for firms (Lumpkin & Lichtenstein, 2005). Standalone learning does not have the ability to achieve desired outcomes (Awasthy & Gupta, 2012). Firms must utilise a variety of knowledge to develop diversified skills to achieve distinctive competencies.

Bell et al. (2002) denote that learning capability assimilates the existing and new knowledge-base of the firm and improvises the mechanism to make a strategic decision.

Weerawardena et al. (2007) conjecture that learning capability facilitates firms to learn about market needs and acquire knowledge to develop new products and services. Developing new products and services are the outcomes of the IOR process. If firms have a higher level of learning capabilities, then they might aim to develop leading products or services, which can fulfil the market needs. Eriksson et al. (2000) have emphasised on learning capability and denotes it as a key determinant to the firm's internationalisation process. Both radical and incremental innovations depend on the learning capability of the firm (Kim et al., 2018) and it varies between the capabilities of novice and experienced entrepreneurs (Emami & Dimov, 2017). Jean et al. (2010) have also identified that learning capability enhances the product innovation of the firm. Similar evidence has been documented by Zhou et al. (2005) in explaining the role of learning capability to achieve breakthrough innovation. From idea generation to objectification of opportunity, the overall process requires sophisticated innovation to deal with market demands. The international learning capability aims to understand market needs, changing trends, competitor's actions and predict uncertainties to a great extent (Altinay et al., 2016). Therefore, we argue:

*H2: The relationship between international learning capability and IOR is positive in the context of export manufacturing firms.*

International marketing capability is defined as the firm's capability to create, develop, and mobilise the marketing strategy and critical marketing elements in the international market through the knowledge of competitive advantage to create economic value (Zhang et al., 2009). International marketing capability plays a significant role when firms attempt to increase the perceived value of their products and services in comparison with competitors (Checchinato et al., 2017). This strategy also supports the fundamental concept of 'proactive behaviour' of export

manufacturing firms (Weerawardena et al., 2007). Intense marketing capability of the firms also facilitates the development of other firm-level capabilities such as channel-bonding capability, customer-linking, and market-sensing capabilities (Zhang et al., 2009). To energise the opportunity recognition process, an effective marketing strategy facilitates firms to identify customer demands (Murray, Gao, & Kotabe, 2011). This strategy includes the recognition of feasible pricing for product/service, efficient distribution channel, better-negotiating skills, and responsive marketing communication system. Competitive international marketplace, rapid changes in demand and technologies shorten the lifecycle of the product/service (Su et al., 2013).

International marketing capability not only assists firms to commercialise new products/services but also helps them identify alternative marketplace to enter with existing products (Zhang et al., 2009). Blesa and Ripolles (2008) have identified positive effects of marketing capabilities on the entry mode of internationalisation that improves the economic performance of the firm. Opportunities related to CSR activities such as the use of renewable energy and green products are pursued through a higher level of marketing capability (Mathews et al., 2016). Tan and Sousa (2015) argue that marketing capability of an international firm improves the financial and non-financial export performance when the firm adopts low-cost and product differentiation strategy. In fact, low-cost differentiation and opportunities of product differentiation are also achievable by leveraging on marketing capability (Fang & Zou, 2009). The positive effect of marketing capability is also identified in the Finnish wood-product industry (Joensuu-Salo et al., 2018). Therefore, we argue:

*H3: The relationship between international marketing capability and IOR is positive in the context of export manufacturing firms.*

Innovative and risk-taking capability is defined as “the overall innovativeness and proactiveness in the pursuit of international markets” (Zhang, 2009: 297). Innovation and risk-taking behaviour are critical components of the success of export manufacturing firms. The combination of these behaviours accelerates the internationalisation process to greater heights (McDougall & Oviatt, 2000). Innovative and risk-taking capability is rooted in the international entrepreneurial activity which nurtures a firm by actively executing strategies such as entering a new market, new product development, risky resources commitment, and financial investment (Knight & Cavusgil, 2004). The innovative and risk-taking capability has also been conceptualised as “behaviour elements of a global orientation and captures top management’s propensity for risk-taking, innovativeness, and proactiveness” (Freeman and Cavusgil, 2007: 3).

Early internationalisation firms manifest innovative and risk-taking capability to create economic value from the global market by outperforming rivals through discovering, evaluating, enacting and recognising opportunities across nations (Freeman & Cavusgil, 2007; Kuivalainen, Sundqvist, & Servais, 2007). Entering a new international market is possible when firms are risk-averse, and innovative new product/service facilitates firms to penetrate the new market. Previous studies have shown that innovative and risk-taking capability in export manufacturing research is dominant (Knight & Liesch, 2016) because export manufacturing firms operating in diversified markets are needed to commit risky resources as well as actively searching for new opportunities to achieve success (Knight & Cavusgil, 2004). While Zhang (2009) conceptualises innovation and risk-taking capability of the firm as one concept, few researchers have conceptualised innovation and risk-taking capability of the firm as two separate concepts. For instance, Sok and O’Cass (2011) suggest that innovation capability helps firms develop new products, achieve market success, and introduce the product to the market promptly.

Entrepreneurial firms get enormous benefit from organisational innovation. Vicente et al. (2015) also document that innovation capability improves the financial performance of Portuguese manufacturing firms. The export performance of international firms often depends on internationalisation speed, and Luo et al. (2005) provide evidence that innovation capability can enhance the speed of internationalisation to achieve superior firm performance. Jussila et al. (2016) highlight the development of the risk-taking capability to deal with megaproject under the circumstance of the volatile market in the emerging economy. Chauhan et al. (2019) mention that “willingness to adopt new ideas, willingness to cope up with uncertainties and their risk-taking capabilities are the most important characteristics of innovators” (p. 328). Innovative entrepreneurs always pose risk-taking behaviour to deal with the unpredictable international market (Zhang, 2009). Hence, it is hypothesised that:

*H4: The relationship between innovation and risk-taking capability and IOR is positive in the context of export manufacturing firms.*

International experience is conceptualised in international entrepreneurial capabilities as the ability of the firm to operate its business in the international market. It enables the export manufacturing entrepreneurs to increase the wealth of the firm in the international market by securing the market share (Zhang et al., 2009). International entrepreneurial capability conceptualises international experience on the grounds of the capability of top-level management to continue operations in the global market (Zhang et al., 2009). The higher level of international experience enables export manufacturing firms to respond to strategic changes. Internationalisation process and international market expansion for export manufacturing firms are entrepreneurial activities. Export manufacturing scholars have recognised international experience to successfully execute these entrepreneurial activities (Oviatt & Mcdougall, 2005).

International experience is a crucial antecedent of international success (Knight et al., 2004; Weerawardena et al., 2007) and is considered a significant predictor to identify first-time international opportunities (Ciravegna, Majano, & Zhan, 2014). International experience helps to accumulate information and knowledge of the international market, essential networks, and potential suppliers of raw materials. Therefore, we argue:

*H5: The relationship between international experience and IOR is positive in the context of export manufacturing firms.*

### **The mediating role of IOR**

IOR is a crucial process for export manufacturing firms from inception to exit (Chandra et al., 2012). Andersson and Evers (2015) have conceptualised IOR to create economic value and achieve sustainable international growth for early internationalisation firms. The economic value of the firm is derived from the (1) introduction of novel and innovative business processes, (2) introduction of an existing product in the new market, and (3) transformation of a creative idea to opportunity and gaining the competitive advantage in the international market. IOR is a continuous process of the firm (Sambasivan et al., 2009) to fulfil the international commitment and minimise the liability of foreignness (Chandra et al., 2012). It also facilitates export manufacturing firms to accelerate international action to achieve market capitalisation (Chandra et al., 2012). The more the opportunities that an export manufacturing firm identifies, the chances of success are much better (Chandra et al., 2015). Similar results on IOR as a mediator between network exploration and exploitation capability with the firm performance has been reported by Faroque and Morrish (2016). Hurmerinta, Nummela, and Paavilainen-Mäntymäki (2015) and Kiss, Danis, and Nair (2015) also support the role of IOR in achieving better international performance. Mostafiz et al. (2019b) emphasise the importance of identifying the

right international opportunity and provide empirical evidence that international opportunity identification process is a critical mediator between individual-level capability and a firm's international performance in the context of export-manufacturing firms in Bangladesh. This consistent result aids us to argue that a superior IOR process is necessary to identify the current international opportunity. It will not only enhance the firm's profitability but will also increase its international foothold, global reach and increase international reputation. Hence, it is hypothesised as:

*H6: IOR process positively mediates the relationship between the dimensions of international entrepreneurial capability and financial performance of export manufacturing firms.*

*H7: IOR process positively mediates the relationship between the dimensions of international entrepreneurial capability and non-financial performance of export manufacturing firms.*

## **RESEARCH METHODOLOGY**

### **Study design and sample**

The samples were collected from the apparel industry in Bangladesh. Firms from this industry genuinely represent the characteristics of entrepreneurial firms. These firms are proactive, innovative, and risk-taker in exploring and exploiting international opportunities (Mostafiz et al., 2019b). According to BKMEA (Bangladesh Knitwear Manufacturer and Exporters Association) and BGMEA (Bangladesh Garment Manufacturers and Exporters Association), the apparel industry has more than 5000 export manufacturing firms (Mostafiz, Sambasivan, & Goh, 2019b). The firms are doing business internationally through 100 per cent exportation of commodities

from inception. Mostafiz et al., (2019a) denote that firms operating in this industry export from their inception (mostly export to the Western part of the world) and generate entire profit from the international market. Similar findings are also documented by Mostafiz et al. (2019a).

The questionnaire was designed based on previous literature to capture the perception of top management on international entrepreneurial capabilities, IOR, and firm's non-financial performance. The financial performance was captured by obtaining actual financial data of the firms based on *return on assets* and *return on equity* (Cerrato & Piva, 2015). Using a random sampling method and sampling fraction (Hair et al., 2010), the questionnaires were administered to 800 export manufacturing firms. The responses were collected from 430 export manufacturing firms (response rate is 53.75%). The respondents were the entrepreneurs/founders of the firms. In some cases, we had difficulties in reaching the entrepreneurs. Therefore, we communicated with the second-person-in-charge such as managing director and general manager, who could provide adequate information regarding the capabilities of the firm as well as IOR process. The operational managers of the firms were contacted to collect information on non-financial performance, and the finance manager provided the information on financial performance. This research design and sample selection are in-line with the previous study in early internationalisation business (Hult et al., 2008; Mostafiz et al., 2019a). The univariate and multivariate outliers were checked by performing the Mahalanobis *D-square* test ( $p < 0.001$ ). Normality test of skewness and kurtosis was performed to confirm the normality of the data set (Tabachnick, Fidell, & Osterlind, 2001). All outliers ( $p > 0.001$ ) were removed, and finally, 388 valid cases were available for data analysis.

## **Measurement**

The international entrepreneurial capability was operationalised based on five dimensions: International networking capability, international learning capability, international marketing capability, international innovative and risk-taking capability, and international experience. The measurement scales of international entrepreneurial capability were adopted (i.e. reflective measurement items) from the study by Zhang et al. (2009). International networking capability was measured using three items; international learning capability was captured using three items; international marketing capabilities was captured through three items; the innovation and risk-taking capability were captured through three items, and the international experience was captured using the three items (see table 2) (Zhang et al., 2009).

IOR was measured using eight items (i.e. reflective items) that captured value, novelty, and the uniqueness of international opportunities (Faroque & Morrish, 2016) to achieve efficiency, new orders, new manufacturing techniques & types of machinery, sources of raw material, enter new market and price advantages. The international performance was measured based on subjective and objective measures. The non-financial performance was captured by using eight items (i.e. reflective items) to indicate the perception of top management on operational performance and perceived success in the international market (Gerschewski et al., 2015; Hult et al., 2008). All items of international entrepreneurial capability and IOR were measured using a seven-point ordinal scale. Two items such as return on assets and return on equity were used to capture the financial performance of export manufacturing firms (Cerrato & Piva, 2015; Jantunen et al., 2008; Zahra & Hayton, 2008).

Firm size, age, and environmental dynamism were used as control variables. Firm size was measured based on the number of employees, and firm age was measured based on the years of international operation (Gerschewski et al., 2015; Nummela et al., 2014; Torres-Ortega et al.,

2015). Environmental dynamism was operationalised by adapting three items that captured institutional, business, and technological changes by using a seven-point scale, where one denotes extremely high dynamism, and seven denotes extremely low dynamism.

## **RESULTS**

### **Descriptive statistics**

About 52.3% of firms had more than 1000 employees. About 38 per cent of the export manufacturing firms were exporting to four to six countries, and 36 per cent of firms were exporting to 11 to 15 countries. Approximately, half of the firms were relatively young (23.58 % are 6 to 10 years old, and 23.85 % were 11 to 15 years old). Only 12.3 per cent of firms were more than 20 years old. The mean, standard deviation, the correlation between construct, normality, and variance inflation factors (VIF) are given in Table 1. The results indicate that the level of international entrepreneurial capabilities and IOR of export manufacturing firms are moderately high. The VIF value of each construct also indicates that none of the variables is extensively correlated; therefore, the effects of multicollinearity is minimal (Hair et al., 2010).

Table 1 goes here

### **Common method variance (CMV)**

The assumptions of CMV were handled by following the guidelines of Chang et al. (2010). First, the use of objective and subjective measurement scale in one unified framework to capture the firm's performance minimised the effects of CMV to a great extent. Second, the philological separations between variables were removed in the questionnaire during the data collection; as well as we had collected primary data from multiple sources. Third, Harman's single factor test was performed to confirm the statistical assumption of CMV (Podsakoff et al., 2003). The component percentage of variance was less than 50 per cent (31.58%), which indicates a minimal

CMV effect (Podsakoff et al., 2003). Fourth, we also conducted a single latent factor analysis to identify the effect of CMV. All items were loaded into one single factor by using AMOS 24. The single latent factor analysis shows that  $X^2 = 4532.736$ ,  $df = 1163$ , which represent significant differences with the results of measurement and structural model. Therefore, we concluded by stating that the effect of CMV in this study was minimal.

### **Reliability and validity**

Table 2 represents standard loadings of the items, alpha reliability, composite reliability, average variance extracted (AVE), and maximum shared variance (MSV). Results show that the internal consistency of constructs, alpha reliability and composite reliability values are higher than 0.70 (Hair et al., 2010). The AVE score of each construct is higher than 0.50 which represents that no significant sign of convergent validity between constructs and the results of MSV and the square root of AVE (refer Table 2) also indicates minimal effects of discriminant validity (Fornell & Larcker, 1981).

Table 2 goes here

### **Hypotheses testing**

The guidelines by Hair et al. (2010) were followed to get the measurement model fit and test the hypotheses. Table 3 represents the model fit indices of the measurement model and the structural model of this study. The standardised factor loading highlighted in Table 2 represents that all items of the constructs satisfy the minimum threshold of 0.50 (Hair et al., 2010). The goodness of fit indices for both measurement model ( $X^2 = 669.278$ ,  $df = 465$ ,  $X^2/df = 1.439$ , GFI=0.906, CFI=0.971, NFI=0.910, RMSEA=0.034, SRMR=0.0344) and structural model ( $X^2 = 831.223$ ,  $df = 542$ ,  $X^2/df = 1.534$ , GFI=0.859, CFI=0.962, NFI=0.898, RMSEA=0.037, SRMR=0.0526)

represent an acceptable level of fit and confirm the adequacy of the measurement and the structural model (Sharif, Mostafiz, & Guptan, 2018).

Table 4 highlights the results of structural relationships. Figure 1 represents the structural framework with significant relationships. The results show that the effect of international networking capability on IOR is positive ( $\beta = 0.242^{***}$ ,  $p < 0.001$ ), as well as for international learning capability on IOR ( $\beta = 0.166^{**}$ ,  $p < 0.05$ ), and for international marketing capability ( $\beta = 0.180^{**}$ ,  $p < 0.05$ ). Therefore, h1, h2, and h3 are supported and hence, significant. The effect is non-significant for innovation and risk-taking ability on IOR ( $\beta = 0.099$ ,  $p > 0.05$ ) and for international experience on IOR ( $\beta = 0.051$ ,  $p > 0.05$ ). Hence, h4 and h5 are not supported. Bootstrapping procedure (with 5000 re-samples) was performed to test the mediation effects of IOR (Hayes, 2013) between international entrepreneurial capabilities and firm performance. The direct effect of IOR on financial performance is non-significant ( $\beta = 0.055$ ,  $p > 0.05$ ), however the effect of IOR on non-financial performance is significant ( $\beta = 0.518^{***}$ ,  $p < 0.001$ ). Therefore, h6 is not supported, but h7 is partially supported. None of the control variables had significant effects on non-financial and financial performance, except for firm age and firm size on non-financial performance of the export manufacturing firms (firm age:  $\beta = 0.156$ ,  $p = 0.023$ ; firm size:  $\beta = 0.171$ ,  $p = 0.015$ ). Therefore, it could be highlighted that these variables are controlling the baseline condition of the research model. This study performed an additional analysis to investigate the impacts of non-financial performance on the financial performance of the firm, and the relationship was significant ( $\beta = 0.254$ ,  $p = 0.004$ ). In summary, this study proposed seven hypotheses; out of seven, three hypotheses were supported; one hypothesis was partially supported, and the rest of the three hypotheses were not supported.

Table 3 goes here

Table 4 goes here

Figure 1 goes here

## **DISCUSSIONS, CONTRIBUTION, AND IMPLICATIONS**

### **Discussions**

This study was conducted to answer a fundamental question: *How does international entrepreneurial capability improve IOR process and the performance of export manufacturing firms?* This study reveals that international networking capability, international marketing capability, and international learning capability significantly improve the IOR process and complement the performance of export manufacturing firms. The research was conducted on export manufacturing firms in the apparel industry from an emerging economy, Bangladesh. The findings reveal significant insights and contribute to international entrepreneurship, international business, and early internationalisation literature. The findings have broadened the knowledge of international entrepreneurial capability and their impacts on firm performance.

The current study has empirically shown that the direct relationships between dimensions of international entrepreneurial capabilities and (financial and non-financial) performance are insignificant. These findings support the arguments by Baum et al. (2000) and Baum et al. (2001) and are in contrast with the previous studies that linked individual dimension of international entrepreneurial capability and firm performance (Zhang et al., 2017; Zhang et al., 2009). One of the possible reasons that support our finding is the context of the study. According to available evidence, international entrepreneurial capability plays a significant role in the hi-tech and innovative industries. The firms from an emerging economy have a shortfall of resources and capabilities. It is conceivable that the dimensions of international entrepreneurial

capability on their own are not strong enough to contribute to firm performance. Therefore, it is not surprising that the current study has sharply highlighted the mediation role of IOR as a mechanism between three dimensions of international entrepreneurial capability and performance. This implies that the indirect effects of international entrepreneurial capability on performance are significant. Mostafiz et al. (2019b) also provide evidence where IOR fully mediates the relationship between dynamic managerial capability and performance of export manufacturing firms. Authors have highlighted future research avenues to explain the extent of the impact of entrepreneurial capabilities on IOR process to achieve superior performance. Hence, this study responds to the call by Mostafiz et al. (2019b).

*Impact of the dimensions of international entrepreneurial capability on IOR and performance*

The role of international networking capability in international business is prominent. This study has supported the role of the entrepreneurial network in the exploration and exploitation of opportunities (Vasilchenko & Morrish, 2011). The current study has supported the role the international network capability plays in achieving IOR in an emerging economy context. The indirect effect of international network capability on non-financial performance is significant. This relationship supports the finding of Mort and Weerawardena (2006) while investigating Australian export manufacturing firms. Exporting firms practice proactiveness in the strategic decision (Knight & Cavusgil, 2004) and international network capability of export manufacturing firms help them engage in effective networking and thereby minimise the potential risk of failure. In addition, firms can get significant advantages from international exhibition to recognise opportunities through network ties (Kontinen & Ojala, 2011b). Active networks assist entrepreneurs to accumulate valuable information from the network regarding manufacturing efficiency, the idea of new product design, and introducing those products in less

volatile international markets, which are considered as opportunities. Furthermore, firms should actively seek and establish new network relationships to exploit emerging opportunities (Kontinen & Ojala, 2011a). This study has found that international network capability contributes to the firm performance by recognising correct, novel, and unique international opportunities through formal, informal, fundamental, and secondary networks.

The finding has shown that international learning capability contributes to the IOR process, which in turn enhances the non-financial performance of the firm. This study supports the finding of the study by Alegre and Chiva (2013), which argues that the learning capability of the entrepreneurial firm can provide better results in the presence of other supporting capabilities. Firms learn from foreign competitors, suppliers, and markets to formulate strategic decisions and create strategic positions in the global market. Gereffi and Frederick (2010) have argued that firms operating in the apparel industry in the emerging economies should learn from other countries to achieve economies of scale over others continuously. The learning capability provides the edge to the entrepreneurs to translate information (knowledge of customer and competitor, product development and pricing) to economic value. In other words, firms can recognise more relevant opportunities (e.g. sources of lower-price materials and new suppliers) when they better understand the customer, competitors, product demand, and pricing. More specifically, international learning capability is significantly essential for export manufacturing firms to do the business expansion. Adaption of new cultures through changing product designs is crucial for export manufacturing firms in the apparel industry (Ng et al., 2009). It is an essential area of research in entrepreneurship, and this study has pointed out that international learning capability is a significant and essential antecedent to IOR process.

The result of this study shows that international marketing capability positively enhances the IOR process of export manufacturing firms. International marketing capability is one of the critical capabilities of international firms that dominate the export performance. Similar empirical relationships have been reported by Murray et al. (2011) and Nath, Nachiappan, and Ramanathan (2010). International marketing capability helps the export manufacturing firms to understand customer needs, trends, and values by using their unique marketing technique to identify the potential inimitable international opportunity. High level of export, new market entry, and capitalisation are closely associated with marketing expertise. Our finding validates the recent work of Weerawardena et al. (2017) by highlighting the importance of international marketing capability in B-to-B export manufacturing firms. Irrespective of the context, for nascent export manufacturing firms, international marketing capability plays a very crucial role in identifying first-time international opportunity. Besides, Gereffi and Frederick (2010) have mentioned that apparel exporters from emerging economies (esp. India and Turkey) are focusing on building *original brand manufacturing* capability. Such initiatives are taken by these firms to serve the domestic market alongside the global market. Development of marketing capability is critically important because apparel firms in emerging economies are rapidly increasing and creating international footprints. These manufacturing firms are directly pursuing global buyers for more orders through international trade fairs or sometimes organising their fairs ( Mostafiz et al., 2019a,b). Hence, marketing capability improves the ability of entrepreneurs to deal with international challenges/competitions by recognising new opportunities.

Innovation and risk-taking capability has an insignificant positive impact on IOR process. This result is in contrast to the role of innovation and risk-taking capability in developed economies where it helps the export manufacturing firms to be highly risk-proactive and perform

innovatively. Similar findings have been documented by Roudini and Osman (2012) while investigating hi-tech firms. Innovation and risk-taking capability is a significant strategic decision for the early success of a firm's performance. However, our result suggests that export manufacturing firms from least developing countries are reluctant to take risks. These export manufacturing firms from emerging economies are operating in a niche market segment and have scarce resources to adapt innovation and risk to a great extent (Tabares et al. 2015). The risk-taking and uncertainty avoidance behaviour of export manufacturing firms minimise the failure risk at an early stage and ensure the initial survival of these firms in the international market. However, these manufacturing firms stringently focusing on the in-house product innovation (i.e. new product development, design, 3D technologies etc.) (Textile Today, 2016) and process innovation (i.e. manufacturing efficiency, green innovation, technological advancement etc.) (Mostafa & Klepper, 2018). By depending on the resources and other competencies, these apparel firms prudently inject resource to leverage both process and product innovation capabilities.

International experience has an insignificant positive relationship with IOR process of export manufacturing firms. Experience compliments other capabilities. However, our study has found that experience does not contribute to the IOR process. International experience limits the entrepreneurial flexibility and reduces the cognitive ability of entrepreneurs to identify new opportunities (Gruber et al., 2013). Experience can limit the entrepreneurs to fully utilise the available information (Gielnik et al., 2014). It leads entrepreneurs to stereotype thinking, emasculates their creativity, and discontinues accumulating and analysing valuable information which is not available to other competitors. Our result is in contrast to the findings by Zhang et al. (2009) and Zhang et al. (2017). However, the emerging economy context plays a significant

role in this unsupported hypothesis. As Gruber et al. (2013) have argued, escaping from prior experience is vital to deal with emerging challenges. Entrepreneurs should unlearn first before learning and developing new abilities to deal with uncertainties in the international market.

#### *Impact of IOR process on performance*

This study has found that the IOR process positively impacts the non-financial performance of the firm. There is an insignificant direct relationship between IOR process and financial performance. However, the IOR process complements financial performance through the non-financial performance of the firm. Creating international foothold, global reach, and reputation through new opportunities help the firms to enhance their overall profitability. A similar positive association between opportunities and performance of early internalised firms have been reported by Mostafiz et al. (2019b). The importance of correct IOR process for export manufacturing firms is crucial, especially at the early stage of the market expansion (Chandra et al., 2012).

#### *Impact of non-financial performance on financial performance*

This study has identified a significant relationship between non-financial performance and the financial performance of export manufacturing firms. As indicated earlier, the international entrepreneurial capability has an indirect effect on the non-financial performance of export manufacturing firms through IOR process. The findings support the concept of Ittner and Larcker (1998) on the non-financial indicators to achieve financial outcomes. Such a relationship has not been investigated and documented in early internationalisation literature. In this study, non-financial performance has been conceptualised as to achieving international foothold, reputation, global reach and so forth. The results of this research have shown that (1) international entrepreneurial capability helps export manufacturing firms in recognising the right international

opportunities and (2) IOR process of the firms helps to achieve non-financial performance which in turn ensures profitability of export manufacturing firms.

### ***Theoretical implications***

This study contributes to the existing body of knowledge on international entrepreneurship and early internationalisation in the context of an emerging economy (Guo, Su, & Ahlstrom, 2016). The existing model of international entrepreneurial capability explains how they can contribute to the performance of the firm. The current research has extended the theoretical model by incorporating the mechanism that leads international entrepreneurial capability to better performance. Specifically, we have shown that international entrepreneurial capability leads to better opportunity recognition process, which in turn, leads to better performance. Another significant contribution of this study is the establishment of the mediating role of IOR process between international entrepreneurial capabilities and non-financial performance of export manufacturing firms. This finding enriches the knowledge of international entrepreneurship. International networking capability, international learning capability and international marketing capability facilitate firms to exploit and explore novel, unique, and innovative opportunities. Furthermore, By investigating the objective measure of the financial performance of the export manufacturing firms from an emerging economy, the findings of this study add more credibility (Cerrato & Piva, 2015). The significant positive relationship between indicators of performance shows that non-financial performance indicators play a crucial role in achieving the financial performance of export manufacturing firms.

### ***Research implications***

The findings of this study have potential implications for entrepreneurs and policymakers. The relevance of the findings on emerging economies' entrepreneurial export manufacturing firms can facilitate entrepreneurs to focus on international entrepreneurial capabilities and promote specific and specialised development and training program to enhance these capabilities. As Gereffi and Frederick (2010) mention, retailers (buyers) are “creating a need for suppliers with increased capabilities” (p. 179). Affluent capabilities of the entrepreneurial firms provide complementary competencies to the buyer and advocate the exchange of tacit knowledge between buyer and seller (Gereffi et al., 2005). Hence, attending international business conferences and trade fairs play an essential role in developing the capability to create new network and sourcing new information regarding supplies and process which can be turned into significant opportunities. Furthermore, entrepreneurs of export manufacturing firms can engage with a global collaboration to promote the sharing of valuable information between each other and stimulate business expansion through new opportunities. For instance, Guinebault (2018) reports that entrepreneurs are now inviting foreign companies such as Zara, H&M, and Marks & Spencer to invest in the textile industry of Bangladesh directly. Hence, undoubtedly, a higher level of international entrepreneurial capability facilitates entrepreneurs to seize new foreign investment for business expansions.

### ***Policy implications***

Policymakers of Bangladesh and similar emerging economies can provide export tax rebates to these internationalising firms and formulate policies for the foreign investor investing in the textile industry of Bangladesh. In a volatile international market, these export manufacturing firms are operating with a proactive, innovative, and risk-taking behavioural way, which makes them distinct from other domestic firms. Therefore, policymakers should support

these export manufacturing firms and actively engage with the improvement by providing low-interest rate loan for start-ups, zero-tax policies for export of readymade goods as well as other tax incentives for raw material imports. These facilities by the government will reduce the uncertainties in the international market. Besides, it will not only mitigate the current unemployment problems in emerging economies but can also increase overall GDP and foreign remittances of these countries. Besides, the government could introduce entrepreneurship acceleration programs at the national level and encourage millennials by introducing various export promotion policies to start international new ventures. In an emerging economy context, the significance of these acceleration programs to develop capabilities is immense, and the country will achieve sustainable growth in achieving global market share.

#### **CONCLUSION, LIMITATION, AND FUTURE RESEARCH DIRECTION**

This study investigated the impact of international entrepreneurial capability on IOR process to complement the non-financial and financial performance of export manufacturing firms. The structural equation model was used to test the hypothesised model on firms from the apparel industry of Bangladesh. Overall, it has been shown that international entrepreneurial capability of the export manufacturing firms indirectly contributes to the performance through IOR process. Given that the most critical entrepreneurial capabilities consist of firm's international networking capability, learning capability, and marketing capability, the findings of this research are mostly generalisable to similar emerging economies such as Vietnam, India, and Sri-Lanka. Although incremental, however, the implications of this study are not limited to emerging economies only. Besides, this study is not without limitations. First, the sample firms have been drawn from one country. Future research on many emerging economies, as mentioned earlier, could merit profound insights into international business literature. This can further enhance the

generalizability of the empirical findings. Second, the current study has concentrated on a single industry (apparel). Other entrepreneurial capabilities could benefit IOR process in different industries. Additionally, cultural values (e.g. uncertainty avoidance/acceptance) might be considered in future research. Since these types of research are based on primary survey perspective data, the cultural values of the entrepreneurs will merit profound insights in future research, especially in the form of a control variable. For example, Hofstede and Bond (1984) highlight the importance of cultural values that drive individual behaviours. Entrepreneurs from the western part of the world are mostly forward-looking and have *uncertainty acceptance* behaviour; whereas, Asian entrepreneurs assert *uncertainty avoidance* behaviour (Hofstede Insights, 2020). Socio-cultural factors play a significant role in entrepreneurial activities in Bangladesh (Akhter & Sumi, 2014). Future research can analyse how these socio-cultural factors influence opportunity recognition process in entrepreneurial firms. Additionally, archived data from global entrepreneurship monitor and the cultural compass can be used to aid future research in addressing this limitation. Future research can also extend this investigation to service sectors such as I.T. and telecommunication. Third, the current study has not explicitly studied the synergies between the five dimensions of international entrepreneurial capability. The second-order conceptualisation or a configurational approach using *fsQCA* of international entrepreneurial capability is needed to understand the equifinal impact of these capabilities on firm performance. Merely having the international entrepreneurial capability is not sufficient. Therefore, the firm should always be proactive in possessing various competitive strategic processes.

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## List of Tables

**Table 1** Correlation matrix and descriptive statistics

Constructs in the model	1	2	3	4	5	6	7	8
(1) International networking capability	<b>0.774</b>							
(2) International learning capability	0.374**	<b>0.801</b>						
(3) International marketing capability	0.286**	0.386**	<b>0.794</b>					
(4) International innovative and risk-taking capability	0.337**	0.341**	0.431**	<b>0.814</b>				
(5) International experience	0.310**	0.351**	0.379**	0.335**	<b>0.826</b>			
(6) International opportunity recognition	0.372**	0.388*	0.406*	0.355**	0.333**	<b>0.742</b>		
(7) Financial Performance	0.178*	0.128*	0.140*	0.181*	0.151*	0.238**	<b>0.818</b>	
(8) Non-financial performance	0.317**	0.256**	0.228**	0.261**	0.193*	0.367**	0.303**	<b>0.768</b>
Control variables								
Firm size	0.252**	0.199*	0.174*	0.164*	0.160*	0.506**	0.197*	0.542**
Firm age	0.244**	0.156*	0.096	0.150*	0.129*	0.425**	0.175*	0.502**
Environmental dynamism	-0.154*	-0.060	-0.060	-0.025	-0.036	-0.167*	-0.088	-0.214**
Mean Score	16.50	16.43	16.67	16.45	16.46	43.7	9.8	44.09
Standard Deviation	1.91	2.1	2.09	2.07	2.03	6.1	1.8	5.8
Skewness: Statistics	0.020	0.022	-0.120	0.084	-0.093	-0.371	0.928	-0.143
Kurtosis: Statistics	0.141	-0.289	-0.173	0.022	0.359	-0.050	-0.932	-0.251
VIF	1.33	1.47	1.48	1.39	1.38	2.21	1.05	1.87

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
<b>International networking capability</b> ( $\alpha = 0.830$ , CR = 0.817, AVE = 0.599, MSV = 0.187)	
Links with customers in international markets	0.725
Links with suppliers in international markets	0.850
Entrepreneurial collaborations with external partners	0.740
<b>International learning capability</b> ( $\alpha = 0.841$ , CR = 0.843, AVE = 0.642, MSV = 0.192)	
Knowledge of customers and competitors	0.747
Development or adaptation of the product	0.853
Effectiveness of pricing	0.800
<b>International marketing capability</b> ( $\alpha = 0.813$ , CR = 0.836, AVE = 0.631, MSV = 0.267)	
Ability to use marketing tools to differentiate firm products	0.758
Advertising effectiveness	0.871
Control and evaluation of marketing activities	0.748
<b>Innovation and risk-taking capability</b> ( $\alpha = 0.851$ , CR = 0.855, AVE = 0.663, MSV = 0.241)	
Willingness to stick necks out and take risks	0.772
Commitment to innovation and development	0.881
Readiness to meet new challenges	0.784
<b>International experience</b> ( $\alpha = 0.862$ , CR = 0.866, AVE = 0.683, MSV = 0.259)	
Top management is experienced in international business	0.810
Top management tends to see the world as the firm's marketplace	0.881
Top management continuously communicates its mission to succeed in international markets to firm employees	0.785
<b>IOR</b> ( $\alpha = 0.735$ , CR = 0.807, AVE = 0.550, MSV = 0.299)	
Recognition/exploration of international business ideas	0.790
Recognition/exploration of international business opportunities	0.769
Tendency of modification/development of opportunities from ideation to recognition	0.812
The novelty/innovativeness of recognized opportunities	0.777
The feasibility/desirability of the novel/innovative ideas	0.710
The pursuance of international opportunities	0.613
Reconfiguring firm's resources to capitalize on emerging global opportunities	0.703
Respond to global changes and seize external opportunities	0.738
<b>Non-financial performance</b> ( $\alpha = 0.727$ , CR = 0.720, AVE = 0.589, MSV = 0.263)	
New product and service introduction in international markets	0.795
Time to market for new products/service internationally	0.759
Number of successful new product/service in international markets	0.784
Global reach (i.e., presence in strategically located countries worldwide)	0.764
International reputation of the firm.	0.745
Gaining a foothold in international markets	0.760
Success of main international business	0.794
Success of main international business from competitor perspective	0.738
<b>Financial performance</b> ( $\alpha = 0.799$ , CR = 0.803, AVE = 0.671, MSV = 0.125)	
Return on assets	0.864
Return on equity	0.772

Notes: Critical ratio greater than 1.96 is significant

**Table 3** Model fit indices

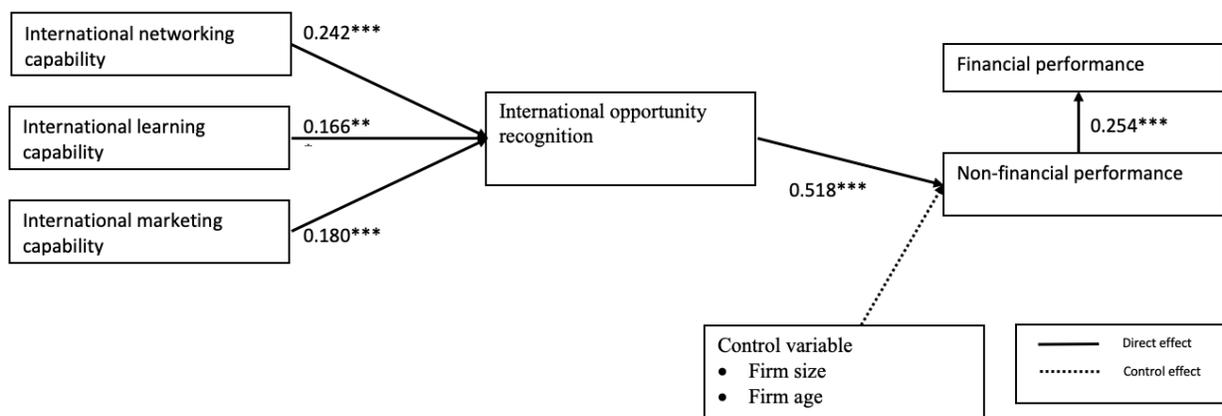
Model	$X^2$	$df$	$X^2/df$	(RMSEA)	RMSEA (90% C.I.)	GFI	CFI	NFI	RFI	IFI	TLI	SRMR	PCLOSE
Measurement Model	669.278	465	1.439	0.034	0.028-0.039	0.906	0.971	0.910	0.898	0.971	0.976	0.0344	1.000
Structural Model	831.223	542	1.534	0.037	0.032-0.042	0.895	0.962	0.898	0.882	0.962	0.955	0.0526	1.000

**Table 4** Results of structural paths

Paths	Std. Estimates	Critical ratio	p Value
International networking capability to IOR	0.242***	3.791	0.000
International learning capability to IOR	0.166**	2.58	0.010
International marketing capability to IOR	0.180**	2.701	0.007
Innovation and risk-taking capability to IOR	0.099	1.551	0.121
International experience to IOR	0.051	0.847	0.398
International networking capability to financial performance	0.076	1.300	0.194
International learning capability to financial performance	-0.003	-0.049	0.961
International marketing capability to financial performance	-0.011	-0.178	0.859
Innovation and risk-taking capability to financial performance	0.037	0.759	0.448
International experience to financial performance	-0.042	-0.437	0.662
International networking capability to non-financial performance	0.085	1.09	0.272
International learning capability to non-financial performance	0.002	0.032	0.974
International marketing capability to non-financial performance	0.036	0.466	0.641
Innovation and risk-taking capability to non-financial performance	0.104	1.400	0.161
International experience to non-financial performance	-0.089	-1.201	0.199
IOR to financial performance	0.055	0.649	0.517
IOR to non-financial performance	0.518***	8.730	0.000
Non-financial performance to financial performance	0.254**	2.37	0.004

Notes: Critical ratio greater than 1.96 is significant at \*\* $p < .05$ , \*\*\* $p < 0.01$

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**Figure 1** Research framework of supported relationship

Note: \*\*Correlations significant at the 0.05 level; \*\*\*Correlations significant at the 0.001 level