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Research paper

## Network exploration and exploitation capabilities and foreign market knowledge: The enabling and disabling boundary conditions for international performance

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### ABSTRACT

This empirical study analyzes how strategic orientations influence the relationships between exploration and exploitation-related networking capabilities, foreign market knowledge, and market performance of 198 internationally operating firms in Bangladesh. The results of hierarchical regression showed that a higher level of network exploration capability and network exploitation capability individually generate greater foreign market knowledge. In addition, our results show that international entrepreneurial orientation reinforces the positive effect of network exploration capability. The positive association between market knowledge and performance, in turn, is accentuated by a proactive export market orientation but attenuated by a responsive export market orientation. These findings suggest that, while both types of networking capabilities are beneficial to develop stocks of foreign market knowledge, firms can acquire and create greater knowledge if they strategically align entrepreneurial orientation with network exploration capability. Further, to use this market knowledge with the goal of improving their position in international markets, firms need to develop a proactive rather than a responsive export market orientation. The current study contributes to the literature on networking capabilities by analyzing firms' networking capabilities with the lens of exploration-exploitation typologies and incorporating strategic orientations as the contextual factors of such capabilities.

## 1. Introduction

The existing literature on industrial marketing has investigated the nature and implications of network and networking capabilities (Mitrega, Forkmann, Zaefarian, & Henneberg, 2017; Mu, Thomas, Peng, & Di Benedetto, 2017; O'Toole & McGrath, 2018; Vesalainen & Hakala, 2014). Networking capability is the critical organizational capability for building, managing, and exploiting business relationships with diverse external parties throughout all major relationship phases (Mitrega, Forkmann, Ramos, & Henneberg, 2012; Naudé & Sutton-Brady, 2019). Firms use their networking capabilities to obtain business-critical knowledge and other resources (Acosta, Crespo, & Agudo, 2018; Bem-bom & Schwens, 2018; Lioukas & Voudouris, 2020; McGrath & O'Toole, 2013), which in turn positively affect performance outcomes (Mitrega

et al., 2017; Mu et al., 2017; Vesalainen & Hakala, 2014). The information and knowledge that is transferred through the nexus of relationships woven by a firm's networking capability leads to potential advantages (Yang, Huang, Wang, & Feng, 2018). In essence, extant studies have underlined the significance of networking capability to firm performance; however, they have also acknowledged the importance of internal boundary conditions (firm-specific contingencies) in analyzing the nexus between the focal variables. There have been several calls to examine *the circumstances under which* networking capability affects the financial performance of firms (e.g., Forkmann, Henneberg, & Mitrega, 2018; Zacca, Dayan, & Ahrens, 2015). Specifically, prior studies underscored the need to incorporate other germane firm-specific moderating variables in examining the impact of network capabilities on the outcome variable.

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Researchers concur that a firm needs to be engaged in exploitation activities in order to shore up short- and medium-term firm performance. By the same token, scholars also acknowledge the importance of exploration activities to ascertain a firm's long-term viability (Levinthal & March, 1993). A bias towards short-term exploitation might create a “success trap” while an overemphasis on exploration alone could create a “failure trap” (Auh & Menguc, 2005; Lavie, Kang, & Rosenkopf, 2011). Faroque, Morrish, Kuivalainen, Sundqvist, and Torkkeli (2021) argued that network exploitation capability assists firms in bolstering contemporaneous market-based positioning by gleaning and orchestrating business-critical resources from the relationships with various network partners, whereas network exploration capability engenders the development of new network relationships which in turn spur further business growth. Scholars concur that the processes and outcomes of exploration and exploitation vary depending on contextual conditions, and both exploration and exploitation necessitate deployment of firm resources to attain the desired organizational objectives (Stadler, Rajwani, & Karaba, 2014; Wenke, Zapkau, & Schwens, 2021). Owing to the *resource stickiness*, defined as the degree to which resources can be channeled from one type of firm activity to another, switching back and forth between exploration (e.g., product innovation) and exploitation (e.g., product commercialization) is a complex process (Mishina, Pollock, & Porac, 2004; Stadler et al., 2014). Scholars agree that the types of resources required for exploration vs. exploitation vary depending on the functional context in which exploration vs. exploitation initiatives are carried out (Stadler et al., 2014; Wenke et al., 2021). Some exploration and exploitation activities, such as network capabilities, can be conducted through deployment and redeployment of *fungible resources*, which are those firm-specific resources that can be deployed interchangeably for the attainment of firm objectives (Faroque, Morrish, et al., 2021; Mishina et al., 2004; Wenke et al., 2021).

Surprisingly, despite the importance of exploring new network ties, previous research in network-related capabilities has disproportionately focused on firms' activities/abilities to strengthen the existing relationships (Mitrega et al., 2017; Sedziniauskienė, Sekliuckienė, & Zucchella, 2019). That is, studies examining network exploitation capability preponderate compared to those of network exploration capability. Further, researchers acknowledge that a unilateral focus on either exploration or exploitation may prove to be counterproductive in the case of certain firm activities, and therefore, knowing when to switch between them may constitute a critical managerial skill bringing superior decision-making performance (Laureiro-Martínez, Brusoni, Canessa, & Zollo, 2015). This treatise argues that a firm benefits from deployment of both types of network capabilities in the form of attainment of better market knowledge. In particular, the present study was undertaken to fill this lacuna in the pertinent literature by investigating networking capability through the lens of exploration-exploitation typologies, thereby corroborating March's (1991) contention. Additionally, instead of assuming a direct effect of two types of networking capabilities, exploration and exploitation, this study proposes that performance outcomes are realized through firms' development of foreign market knowledge. That is, a firm benefits from its relationship with network partners through exchange of knowledge, resources and competencies (Genc, Dayan, & Genc, 2019). Using strategic orientations, a firm can determine the operational areas for generation of knowledge and the ways of sharing and integrating this knowledge to make it a valuable resource (Kim, Im, & Slater, 2013). As will be demonstrated in the hypothesis development section, strategic orientations also play a pivotal role by moderating the relationship between dual networking capabilities and foreign market knowledge. Accordingly, we have examined the effect of international entrepreneurial orientation (EO) on the nexus between two types of networking capabilities and foreign market knowledge.

Although it has long been posited that a higher level of market knowledge is essential for superior market performance (Musteen, Datta, & Butts, 2014; Narver & Slater, 1990), the boundary conditions

that determine the strength of this relationship have remained less understood. Prior studies demonstrated that improving a firm's market orientation (MO) enhances performance (Cadogan, Kuivalainen, & Sundqvist, 2009; Genc et al., 2019; Jaworski, Kohli, & Sahay, 2000; Lai, Pai, Yang, & Lin, 2009; Murray, Gao, & Kotabe, 2011); though some earlier studies have reported no significant connection (e.g., Acosta et al., 2018), others have reported mixed results (e.g., Jaworski & Kohli, 1993; Jiménez-Jiménez & Cegarra-Navarro, 2007), implying that probably a more complex nonlinear relationship exists between the two phenomena (Jiménez-Jiménez & Cegarra-Navarro, 2007). This study identifies and explores the moderating influence of MO in the association between the stock of knowledge about foreign markets and international market performance.

A firm's MO comprises both proactive and responsive dimensions (Narver, Slater, & MacLachlan, 2004). However, studies investigating how firms understand and act on customer needs have predominantly focused on market-driven or responsive processes (Blocker, Flint, Myers, & Slater, 2011; Chen, Li, & Evans, 2012). In addition to being responsive to customers' prevailing requests and needs to strengthen their market position in the short-term, firms need to engage in proactive organizational learning to satisfy both current and emerging customers' needs for survival in the short term and prosperity in the long term (Herhausen, 2016; Wilden, Hohberger, Devinney, & Lavie, 2018). Nonetheless, it remains unclear how a firm's MO affects its capability to manage strategic changes effectively in order to achieve growth (Liao, Chang, Wu, & Katrichis, 2011; Wilden, Gudergan, & Lings, 2019). By distinguishing between the impacts of the proactive and responsive dimensions of export MO, the current research offers a fresh perspective vis-à-vis the impact of MO in improving firms' market position. In sum, we differentiated between the capabilities of network exploration (building of new relationships) and network exploitation (cultivation of prevailing relationships), and analyzed their individual effect on market knowledge, with the boundary condition of international EO. We also analyzed the association between firms' foreign market knowledge and performance with the boundary condition of export MO.

The corresponding research questions we seek to answer are, therefore:

- How do network exploration and exploitation capabilities affect firms' stock of foreign market knowledge?
- What is the impact of international EO in the networking capability-foreign market knowledge relationships? and
- How do proactive and responsive export MO influence the foreign market knowledge-international market performance relationship?

The conceptual model of this study is empirically examined using hierarchical regression with a sample of 198 internationally operating firms in Bangladesh, an emerging market. The results document a positive effect of network exploitation and network exploration capabilities on internationally operating firms' foreign market knowledge. An international EO strengthens the relationship between network exploration and foreign market knowledge but not that between network exploitation capability and market knowledge. The link between knowledge about foreign markets and international market performance is, in turn, strengthened by a proactive export MO but weakened by a responsive MO.

The present research contributes, first, to networking capabilities literature in industrial marketing (McGrath, Medlin, & O'Toole, 2019; Mitrega et al., 2012) by categorizing such capabilities into exploration and exploitation types in investigating their differential roles in market knowledge development and the nuanced processes and mechanisms therein in relation to the boundary conditions. Since finding a balance between the opposing goals of exploration (searching for new knowledge) and exploitation (refining and expanding the existing knowledge base) (e.g., March, 1991; Vermeulen & Barkema, 2001) is crucial to firms' competitiveness, research needs to distinguish between the

exploitation and exploration types of capabilities. Furthermore, this study contributes to the literature on networking and relationship by examining the interactions between international EO and networking capabilities, and also between market knowledge and export MO demonstrating how different dimensions of MO affect firms' market performance. This contribution directly addresses Forkmann et al.'s (2018) call to clarify the boundary conditions of dynamic capabilities, such as networking. Further, we have responded to the call by Wilden, Devinney, and Dowling (2016) for investigating the effect of market-driving and market-driven orientations in the perspective of networking capabilities.

The study continues by reviewing the relevant literature and presenting the resulting conceptual framework. The research methods are discussed and study results are reported. Subsequently, discussion and implications are presented, followed by limitations. Finally, directions for future research are delineated.

## 2. Theoretical framework

Dynamic capability theory has increasingly been applied to examine industrial marketing phenomena, and, especially, to understand the business relationship related capabilities (Forkmann et al., 2018). Capabilities, as complicated coordinated patterns of knowledge and skills that are integrated into an organization's routines and practices with time, enable the focal firm to optimize the utilization of its existing resources-base in order to address the marketplace dynamism (Lisboa, Skarmas, & Lages, 2011; Teece, 2007). A firm equipped with dynamic capabilities is able to detect both opportunities and threats, so it can systematically solve problems to make efficient market-focused strategic decisions and relevant changes in its resource portfolio (Barreto, 2010; Lisboa et al., 2011; Teece, Pisano, & Shuen, 1997). Dynamic capability theory contends that firms need to reconfigure and redeploy resources constantly in tandem with the marketplace changes to sustain competitive advantages (Eisenhardt & Martin, 2000; Teece, 2007). The theory also addresses firm capabilities linked to exploitation and exploration (Barreto, 2010; Liang & Gao, 2020).

The industrial network perspective considers that firms are intertwined with one another in an array of interconnections (Najafi-Tavani, Najafi-Tavani, Naudé, Oghazi, & Zeynaloo, 2018), and by successfully utilizing their interconnections, firms can garner requisite resources necessary for the implementation of strategies (Lioukas & Voudouris, 2020), and, more specifically, market position. Networking capability, enabling a firm to build and transform its external network ties, reallocate important resources from one relationship to the others and optimize the diverse portfolio of relationships with various network partners (Faroque, Morrish, et al., 2021; Mitrega et al., 2012). Networking capabilities are the abilities for a firm to engage, initiate, build and cultivate relationships with diverse network partners in an efficient and effective manner (Faroque, Morrish, et al., 2021; Walter, Auer, & Ritter, 2006). In the international context, dynamic networking capability is defined as the capability of the firm to build and maintain relationships with various foreign partners, which enable the focal firm to garner requisite resources as well as to reconstitute and reconfigure existing resource-base in tandem with the marketplace dynamism (Mort & Weerawardena, 2006). When a firm wants to simultaneously build a web of relationships with diverse external organizations, it must leverage its networking capability (Yang et al., 2018). Networking capabilities are dynamic in nature as they evolve over a firm's life cycle-stages (O'Toole & McGrath, 2018), and, in particular, its internationalization process (Bembom & Schwens, 2018; Mort & Weerawardena, 2006). Firms proactively reconstitute, reconfigure and extend the small set of useful networks they have started with, and at the same time, develop new network ties to comprehend the existing ones, thereby developing dynamic networking capabilities (Eisenhardt & Martin, 2000; Mort & Weerawardena, 2006; Teece, 2007). As the positive role of the initial ties could diminish with time, firms must increase the size and

breadth of their networks by searching for new relationships in the later stages of internationalization (Bembom & Schwens, 2018).

According to the organizational learning theory (March, 1991), exploration denotes a conscious and proactive endeavor by a firm to glean and analyze market-based information in order to develop novel insights and knowledge about market-based agents and actors that are currently unknown, whereas exploitation refers to the utilization and leverage of the existing knowledge-base of a firm (Levinthal & March, 1993). By generating knowledge about current practices, products, or markets, exploitation aims to expand and refine firms' existing knowledge base (Siren, Kohtamäki, & Kuckertz, 2012). In contrast, exploration, being more long-term oriented, requires a firm to create new knowledge (Osiyevskyy, Shirokova, & Ritala, 2020) or a novel recombination of knowledge (Zhang, Lyles, & Wu, 2020). Exploration drives a firm to test customer needs instead of accepting them as they are (Auh & Menguc, 2005). While both manifestations are valuable to firm performance, their contradictory nature demands a different set of capabilities (Lavie et al., 2011). Their relative roles in influencing firm performance also differ (Osiyevskyy et al., 2020). This exploitation-exploration bifurcation may also be extended to analyze networking capability of firms (Faroque, Morrish, et al., 2021) operating in the uncertain and rapidly changing environment of international markets (Bembom & Schwens, 2018; Genc et al., 2019).

Parida, Pemartín, and Frishammar (2009) found that networking capability is crucial to developing new partnerships. They also proposed a new component of this capability to reflect firms' propensity to be open towards new relationships. Although Mu and Di Benedetto (2011) and Mu et al. (2017) considered a firm's competency to explore new relationships to be a part of networking capability, these studies did not distinguish between the exploration and exploitation types when analyzing the impact of network capability. By extending Faroque, Morrish, et al. (2021) who differentiated between these two types of capabilities in the recognition of international opportunities, we defined network exploitation capability as a firm's ability to utilize and cultivate existing network ties and relationships in order to optimize the configuration of its current resource-base (e.g., market knowledge). Following the same study, we defined network exploration capability as a firm's ability to create new network ties and expand the prevailing ones by being open towards new relationships, which assist it to acquire new information (that departs from the existing knowledge base) about international markets and customers. Together they constitute an ambidextrous networking capability that enables international firms to reconstitute the existing relationship portfolios, and thus to enhance market performance.

Exploitation-exploration scholars contend that the impact of these two constructs on the outcome variable is contingent upon various other firm-related attributes. Extant studies (e.g., Marín-Idárraga, González, & Medina, 2020; Wenke et al., 2021) using meta-analysis have demonstrated that the link between exploitation-exploration and the outcome variable is moderated by various firm-level attributes. By the same token, network scholars also called for investigation of boundary conditions of the relationship between network capabilities and the outcome variable (Forkmann et al., 2018; Zacca et al., 2015). One firm-specific attribute which warrants investigation in the context of the current study is the EO of the firm. In the ensuing section, we provide theoretical arguments as to why the nexus between network capabilities and foreign market knowledge will be moderated by EO. Lastly, we investigated the responsive dimension of export MO, along with the proactive one, because both are crucial to firm performance though in different and opposite directions. The former has a negative moderating impact while the latter has a positive moderating effect on firms' performance deriving from foreign market knowledge, as will be discussed in the next section.

Depicting the accuracy of theoretical predictions for any context, boundary conditions describe the generalizability of a theory across contexts (Busse, Kach, & Wagner, 2017). Previous research has

investigated the role of internal boundary conditions on firm performance. Cadogan, Boso, Story, and Adeola (2016) found that intra-firm resource coordination capabilities influence the relationship between export strategies and EO, as well as export MO and export sales performance. More recently, Faroque, Torkkeli, Mahmud, and Kuivalainen (2021) suggested that export MO strengthens but international EO weakens the export marketing assistance-export performance relationship. The use of two different sets of moderators in this study (first, international EO as an enabling condition, and second, proactive and responsive dimensions of export MO as enabling and disabling conditions, respectively) can provide a profound understanding of the boundary conditions of the relationship between networking capabilities, foreign market knowledge, and firms' market performance.

### 3. Hypotheses development

#### 3.1. Networking capability and market knowledge

Networking capability is oriented towards developing, sustaining, and utilizing a web of interorganizational relationships to access various external resources important for generating values, competitive advantages (Forkmann et al., 2018; Mu, 2013, 2014; Mu et al., 2017; Vesalainen & Hakala, 2014), and firm performance (Acosta et al., 2018; Mitrega et al., 2017; Walter et al., 2006). A strong networking capability enhances both the quantity and quality of a firm's stock of knowledge. That is, firms with stronger network capability gain greater access to key and exclusive information that allows them to formulate effective product-market strategies (Yang et al., 2018). Networking capability can assist firms to combine and incorporate different types of knowledge, resources, and competencies (Lioukas & Voudouris, 2020; Mu and Di Benedetto, 2011; Mu et al., 2017). Networking not only enables firms to gain access to novel knowledge but also provides novel ways of construing and understanding existing knowledge (Lioukas & Voudouris, 2020). Resource-constrained international firms can overcome their lack of experiential knowledge via networking (Mort & Weerawardena, 2006). Based on the dynamic capability theory, Weerawardena, Mort, Liesch, and Knight (2007) proposed that internationalization of smaller enterprises is accelerated by their network capability. By lowering the transaction costs of obtaining market knowledge, networking assists firms to attain cost-competitive advantages (Uzzi & Lancaster, 2004). More importantly, external network perspectives can create significantly higher values than traditional market information acquisition (Baker, Grinstein, & Harmancioglu, 2016). Firms can create the most valuable insights from their alternative clarifications of customers, competitors, and other environmental components (Atuahene-Gima & Murray, 2007).

Internationally operating firms accrue key knowledge of foreign markets as they develop their exploitation-related networking capabilities. Critical knowledge resources require specific types of interorganizational networks to flow (McDermott & Corredoira, 2010). Firms with an array of existing network partners have access to the knowledge held or created by these partners. Firms can track emerging export trends and evolving customer preferences in foreign markets by strengthening their relationships with current foreign customers and distributors (cf. Mithas, Krishnan, & Fornell, 2005). In essence, an international firm with a high network exploitation capability is intrinsically competent in cultivating relationships with various types of external partners that are existing, which allows the focal firm to gather crucial data pertaining to diverse actors and agents in the foreign markets. Hence, network exploitation capability expands international firms' existing stock of market knowledge.

Even though existing network ties might help an international firm create market knowledge, they could also restrict the broadening of such knowledge bases (Gargiulo & Benassi, 2000). Being confined to a predefined network boundary may prevent an international firm from extending its network horizon with prospective new partners (Adler &

Kwon, 2002; Gulati, Nohria, & Zaheer, 2000) and leave it susceptible to network rigidity (Mort & Weerawardena, 2006). Such rigidity and the reinforcement of old routines and practices in existing networks (Gulati, 1999) can prevent a firm from efficiently recognizing changes in the marketplace because new information pertaining to customers, suppliers, competitors, and other external factors might not be available within its prevailing set of relationships with the network partners (Faroque, Morrish, et al., 2021). Firms may be blinded by their existing set of networks and, as a consequence, restrained to adopting new products, services, markets, technologies, or processes to satisfy customers' changing needs (Rowley, Behrens, & Krackhardt, 2000). Conversely, firms equipped with network exploration capability are able to recreate or reconfigure the structure and nature of the existing network that enable them to marshal, assemble and assimilate complementary network resources (Mu, 2013) and network capital (Huggins, 2010) as needed, most often in the form of market knowledge (Mort & Weerawardena, 2006; Musteen et al., 2014; Najafi-Tavani et al., 2018; Rowley et al., 2000). Firms build new network ties to create international growth opportunities (Zhou, Barnes, & Lu, 2010). Firms developing a broad network can create more complete and comprehensive market intelligence, and thus, become skilled at detecting market changes (Yang et al., 2018). That is, since extending the ambit of the prevailing network facilitates the collection of additional market-based data, network exploration capability should positively affect how firms upgrade their stocks of foreign market knowledge in order to handle the marketplace dynamism. The resulting first two hypotheses are, thus, as follows:

**H1.** Internationally operating firms' network exploitation capability positively affects their foreign market knowledge.

**H2.** Internationally operating firms' network exploration capability positively affects their foreign market knowledge.

#### 3.2. The moderating effect of international EO

EO is a multi-dimensional construct that has been defined as a firm's intrinsic strategic stance towards entrepreneurship (Anderson, Covin, & Slevin, 2009). International EO can be explained as the business practices, systems, decision-making activities, and the firm-specific internal routines to identify and create international market opportunities (Lumpkin & Dess, 1996). Following prior research (e.g., Acosta et al., 2018; Baker et al., 2016; Wang, Dass, Arnett, & Yu, 2019, etc.), we treated EO as a three-dimensional construct encompassing innovativeness, proactiveness, and risk-taking propensity (Miller, 2011). *Innovativeness* denotes the degree to which a firm embraces and undertakes novel ideas, creativity, experimentation, and changes (Lumpkin & Dess, 1996; Wang, 2008). *Proactiveness* demonstrates the degree to which firms anticipate emerging customer needs and market trends (Lumpkin & Dess, 1996; Mu et al., 2017). *Risk taking* denotes a firm's propensity to venture into the unknown by taking bold actions, and exploiting and exploring market opportunities in uncertain environments (Baker & Sinkula, 2009; Lisboa et al., 2011; Wiklund & Shepherd, 2003).

EO supports an enhanced knowledge base by making firms responsive to the external market environment, which in turn initiates acquisition of market information and conversion of this knowledge into economically rewarding products (Matsuno, Mentzer, & Özsomer, 2002). More specifically, innovation promotes a firm's activities for knowledge acquisition with scanning and sensing of foreign markets (Knight & Cavusgil, 2004). Risk taking contributes to knowledge development by means of careful evaluation and exploitation of opportunities in the international marketplace (Oviatt & McDougall, 2005). Proactiveness generates a forward-looking perspective which inaugurates a firm's initiatives for refining/updating its existing stocks of market knowledge (Lumpkin & Dess, 1996). Zhou (2007) found that foreign market knowledge results in rapid and early internationalization, an effect driven by international EO. Offering further insights into

the area, Zhou et al. (2010) considered EO as the catalyst for developing relationships, obtaining key information and knowledge from the relationships, and absorbing the knowledge into firms' existing knowledge base. Wiklund and Shepherd (2003) also confirmed EO's positive impact on the association between knowledge-based resources and the performance of a firm.

The impact of EO on firm performance is expected to be complex (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003). Acosta et al. (2018) suggested that international EO may exert an indirect impact on firms' performance through networking capability. Mehrabi, Coviello, and Ranaweera (2019) found that under various environmental conditions, EO influences performance both positively and negatively. EO alone is not sufficient for value creation and should not be seen as the only determining factor for attaining and sustaining competitive advantage (Walter et al., 2006). Supporting these arguments, we investigate the moderating role of EO in international firms' knowledge development. EO enables an organization to acquire superior network resources and experiential learning/knowledge (Jiang, Liu, Fey, & Jiang, 2018; Kreiser, 2011). Firms possessing higher EO strive to acquire more information and knowledge about foreign markets, so that they can better adapt to the markets by strengthening their networking initiatives (Karami & Tang, 2019). In addition, firms must take an entrepreneurial approach in exploring explicit or tacit customer needs that are emerging (Atuahene-Gima & Ko, 2001). International EO induces firms to be forward looking and makes them more inclined to pursue exploration (Kollmann & Stöckmann, 2014) and proactively embark upon network expansion initiatives with a view to bolstering their knowledge bases. Therefore, we hypothesize that:

**H3.** The relationship between internationally operating firms' network exploitation capability and foreign market knowledge is positively moderated by international EO.

**H4.** The relationship between internationally operating firms' network exploration capability and foreign market knowledge is positively moderated by international EO.

### 3.3. Market knowledge and firm performance

Knowledge is considered as the most important asset that can generate competitive advantages (Chen et al., 2012; Grant, 1996). The requisite market information enables firms to understand their current capability deficiencies, which in turn prompts the urgency to build new capabilities (Atuahene-Gima, 2005). By obtaining knowledge about overseas markets, firms are able to strategically position, differentiate and promote products in these markets, which could influence their revenue generating potential positively (Musteen et al., 2014). Firms that have more initial knowledge about overseas markets, competitors and customers are able to garner and assimilate additional market-based knowledge more easily; this in turn enhances their experiential learning crucial to successful operations in the international markets (Musteen et al., 2014). The conceptualization of MO (presented in the next section) indicates that market knowledge includes not only information about firms' customers and competitors but also about technology, government regulations, and other environmental components in foreign markets (Faroque, Mostafiz, Faruq, & Bashar, 2020). However, as previous research has confirmed an immediate positive connection between market knowledge and firms' performance (e.g., Musteen et al., 2014; Yang et al., 2018; Zhou, 2007; Zhou et al., 2010), this study investigated the moderating effect of export MO on the market knowledge-foreign market performance relationship.

### 3.4. The moderating effect of proactive and responsive export MOs

MO has received inordinate attention from scholars in both mainstream marketing (e.g., Blocker et al., 2011; Chung, 2012; Jaworski et al., 2000; Matsuno et al., 2002) and industrial marketing literature (e.

g., Genc et al., 2019; Wilden et al., 2019). MO can be viewed as an array of closely interrelated processes that facilitate organizational learning (Dickson, 1996). It reflects a firm's concentration towards exogenous factors, such as customers and competitors, via execution of product-market strategy in its targeted segments of the market (Kohli & Jaworski, 1990). This strategic orientation emphasizes the necessity of generating, disseminating, and reacting to information related to markets (Jaworski & Kohli, 1993; Mu & Di Benedetto, 2011). The concept of MO has been extended to the international contexts as export MO, which involves a set of product-market strategies and tactics that firms strategize and execute as a part of their export market operations (Cadogan et al., 2009). The role of MO might be more significant than that of other strategic orientations (e.g., learning orientation) because the latter could be created or initiated from the former as market-oriented firms respond to customers' evolving needs, preferences and mindsets (Faroque et al., 2020). Firms equipped with a high export MO are able to improve customer satisfaction level, lower competitive threats, and, ultimately, enhance performance by offering superior values to the current and new customers (Bicakcioglu-Peynirci & Ipek, 2020; Shi, Su, & Cui, 2020).

While satisfying customers' present and expressed needs can be managed with a customer-led philosophy, understanding and translating their latent and future needs into new products or offerings calls for a market-oriented philosophy (Slater & Narver, 1998). Customers' expressed needs are relatively easier to satisfy since firms are aware of these needs. Customer's latent needs are, however, more difficult to detect but these latent needs are potentially important (Slater & Narver, 1998). Latent and expressed customer needs are two diverse domains in which proactive and responsive MO, respectively, could play an influential role. A market-driving orientation denotes a proactive business logic whereas a market-driven orientation portrays a responsive logic (Jaworski et al., 2000; Kumar, Scheer, & Kotler, 2000). Therefore, firms' behaviors linked to customers' expressed needs are viewed as exploitative in nature while those associated with latent needs are seen as explorative (Kyriakopoulos & Moorman, 1998). Despite acknowledging the two distinct dimensions of MO, the literature is far more focused on the market-driven approaches than the market-driving (Blocker et al., 2011; Chen et al., 2012; Narver et al., 2004). Satisfying customers' existing needs could be sufficient for developing short-term competitive advantages, but for building and sustaining long term competitive advantages firms need to detect the nascent market trends (Bhandari, Rana, Paul, & Salo, 2020). Generating knowledge about new markets and new customers will allow international firms to detect changes in foreign markets, develop economically-rewarding new products, and identify potential customers more efficiently than the competitors who do not employ such a proactive approach (Lisboa et al., 2011).

Following earlier studies (e.g., Blocker et al., 2011), we defined proactive export MO as a firm's orientation towards continuously investigating the latent needs of overseas customers and uncovering their future needs. We defined responsive export MO as a firm's conscious endeavor to understand customers' current preferences, needs, and expectations from the product (Narver et al., 2004). Existing research clearly shows that the objectives, processes, and outcomes of the two distinct MOs differ. A responsive MO is positively associated with competitive intensity and market and technological dynamism, whereas a proactive MO is negatively associated with the same (Wang, Zeng, Di Benedetto, & Song, 2013). On the contrary, proactive MOs are positively linked to market performance while responsive MOs are not (Lamore, Berkowitz, & Farrington, 2013). Regarding new product program performance, a U-shaped relationship exists for responsive MO but an inverted U-shaped curve is present for proactive MO (Atuahene-Gima, Slater, & Olson, 2005). Proactive MOs have higher impacts on radical innovation whereas responsive ones have greater effects on incremental innovation (Li, Lin, & Chu, 2008). Responsive MO has a more significant influence on the success of new products under stable market and technological conditions, but a proactive MO improves product innovation performance under turbulent conditions (Zhang & Duan,

2010). Overall, this array of research concerning MO demonstrates that the roles of proactive and responsive MO are not only different but also opposite of one another. Nonetheless, these studies have explored the effect of MO in domestic settings, and, more importantly, have not probed into the moderating role of two different dimensions of MOs in enhancing market performance through networking capabilities. Our research analyzes the role of MO in international market performance with the moderating effect of proactive and responsive export MO. In doing so, we have presumed a positive and a negative influence of proactive export MO and responsive export MO, respectively.

A firm that relies on exploitative and market-driven behaviors could endanger its long-term viability (Herhausen, 2016; March, 1991; Siren et al., 2012). Such MO, being reactive in nature, constrains firms' innovative ability (Slater & Narver, 1998) and understanding about customers' future and unexpressed needs. Market-driven firms tend to respond to environmental changes instead of being proactive to create such a change; unless customers' latent needs have been recognized, they do not try to create market opportunities by changing the behavior of the customers or other exogenous actors (Narver et al., 2004; Wilden et al., 2019). Firms equipped with a high responsive MO interpret the markets from the perspective of their existing customers (Hamel & Prahalad, 1994). They are strongly focused on customers' current needs and far less concerned about generating insights about the customers' changing needs and preferences. These firms are, thus, constantly at risk of losing their market position (Herhausen, 2016). Consequently, an international firm's excessive focus on responsive MO will weaken the positive effect of knowledge about foreign markets on its market performance. Proactive (market-driving) firms, on the other hand, try out new ideas, solutions, and alternatives constantly to unearth opportunities and preempt threats in the foreign markets (Wang et al., 2019). Such firms systematically and proactively obtain and assess information about the customers and other market actors, and thus, are able to secure a strong market position. As a result, the last set of hypotheses suggest:

**H5.** The relationship between internationally operating firms' knowledge about foreign markets and market performance is negatively influenced by responsive export MO.

**H6.** The relationship between internationally operating firms' knowledge about foreign markets and market performance is positively influenced by proactive export MO.

The conceptual model and respective hypotheses are presented in Fig. 1.

#### 4. Research methodology

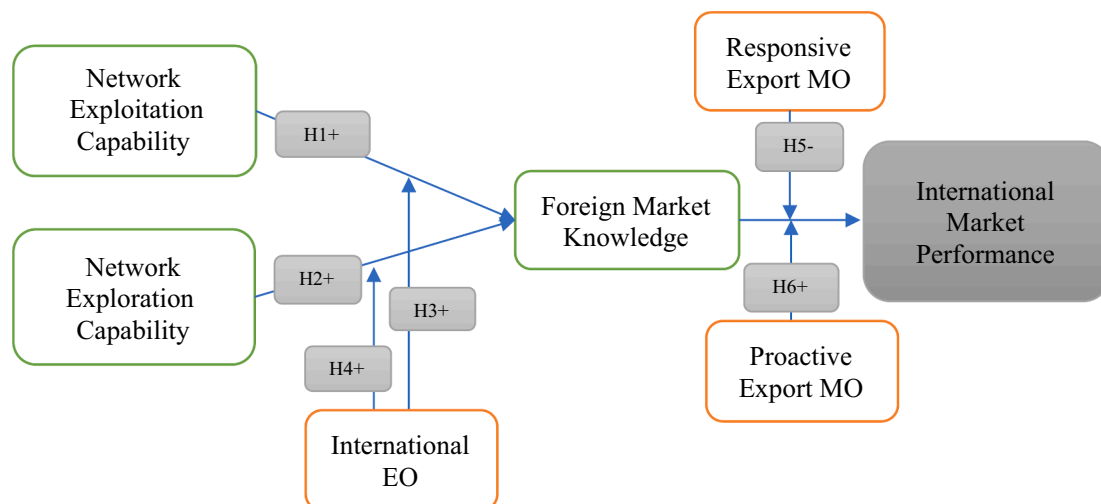
##### 4.1. Sample and data collection

The sample of this study was drawn from multiple industries, including apparel, pharmaceutical, software, and information and communication technology, in an emerging market. Bangladesh has become the world's second largest apparel exporter (Paul, 2020), a new IT hub in South Asia (Ahmed, 2019), as well as a rapidly growing pharma exporter (Biz Data Insight, 2020). As a developing economy, however, Bangladesh lacks good infrastructure and government institutions, which are important to the emergence of such successful export industries. These characteristics of the domestic environment emphasize the necessity of networking and entrepreneurially oriented behavior for internationalization-seeking firms, and, consequently, make Bangladesh a suitable context in which to investigate internationalizing firms' network-related capabilities and their boundary conditions.

We collected data in person via a structured questionnaire, copies of which were sent to a sample of 500 exporters randomly drawn from the export directories of the aforementioned industries. After eliminating missing values and conducting a normality test on the 204 completed questionnaires we had received, we were left with 198 questionnaires (a response rate of 40%). Several precautions were taken before conducting the survey to eliminate common method variance (CMV). We pretested the survey instrument and protected the identity of the respondents; to psychologically separate the independent and dependent variables, we used filtering questions (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The possibility of CMV was tested with Harman's one-factor test (Podsakoff et al., 2003) in a principal component analysis using SPSS 24 software. We also conducted a confirmatory factor analysis using AMOS 24 software. We found no evidence of CMV and nonresponse bias for the size and age of the firms.

##### 4.2. Measurement

The respondents answered all items in the questionnaire using a seven-point Likert scale. For network exploitation, we adapted measures from Walter et al. (2006) and Mitrega et al. (2012) to capture inter-company and -personal coordination (eight items), conflict management (four items), and internal communication (five items). For network exploration, we adopted measures from Mitrega et al. (2012) and Parida et al. (2009). Measures for export EO were adopted from Kuivalainen, Sundqvist, and Servais (2007), Wang (2008), and Jambulingam,



**Fig. 1.** The relationships among networking capabilities, foreign market knowledge and market performance, with moderation of international EO and export MO.

Kathuria, and Doucette (2005). For foreign market knowledge, we used measures from Musteen et al. (2014). For export MO, the responsive and proactive dimensions were adapted from Narver et al. (2004) by contextualizing for international business. Finally, for market performance, we adopted eight items from Leonidou, Palihawadana, and Theodosiou (2011). As the relationships between the hypothesized variables might be affected by other firm specific attributes, we incorporated firm size, firm age and industry effect as control variables.

4.3. Analysis and results

Correlation coefficients between the variables, standard deviations, and means of the variables are reported in Table 1. Table A1 in the Appendix reports the details of measures, descriptive statistics, standardized factor loadings and reliability tests. The contingency hypotheses were tested with hierarchical regression modeling. We mean-centered every measure in multiplicative interactions, so that potential multicollinearity issues could be mitigated (Aiken & West, 1991).

Table 2 presents the results of hierarchical regression with foreign market knowledge as the dependent variable. Firm size, age, industry and EO were incorporated as control variables in Model 1. Model 2 and 3 examine the individual effects of network exploitation and exploration capabilities, respectively. The results indicate that exporting firms' networking capabilities have a positive impact on their foreign market knowledge. More specifically, both network exploitation capability ( $\beta = 0.396, P < 0.001$ ) and network exploration capability ( $\beta = 0.264, P < 0.01$ ) have significant positive effects on market knowledge, thus supporting H1 and H2. Models 4 and 5 were used to examine the moderation of international EO on the nexus between networking capabilities and foreign market knowledge. According to the results, international EO produces synergistic effects in combination with network exploration ( $\beta = 0.222, P < 0.05$ ) but not with network exploitation capabilities, so H4 is supported whereas H3 is not.

The findings of the hierarchical regression with international market performance as the outcome variable are shown in Table 3. Firm age, size, industry, and responsive and proactive MO were included as controls in Model 1. Model 2 deals specifically with the association between foreign market knowledge and performance; the results indicate that it is positive and significant ( $\beta = 0.510, P < 0.001$ ). Finally, Models 3 and 4 investigate the moderating roles of responsive and proactive export MO, respectively, in the association between market knowledge and market performance. Both proactive and responsive dimensions of export MO moderated the nexus between overseas market knowledge and market performance: the impact of the former is positive ( $\beta = 0.158, P < 0.05$ ) while that of the latter is negative ( $\beta = -0.345, P < 0.001$ ), therefore, supporting H6 and H5.

Lastly, Fig. 2 illustrates the coefficients and significance of hypothesis testing.

5. Discussion and conclusion

The present study has built on the networking perspective to industrial marketing in order to analyze the impact of exploitation- and exploration-related network capabilities on market performance, via market knowledge, of internationally operating firms. Drawing on dynamic capability theory (Eisenhardt & Martin, 2000; Teece, 2007; Teece et al., 1997) and organizational learning perspective (March, 1991), we hypothesized the relationships between the key focal variables of this study. We empirically explored the proposed hypotheses on a sample of 198 exporting firms in Bangladesh, an emerging market in South Asia, with a hierarchical regression model. Our hypotheses predicting a positive association between networking capabilities and foreign market knowledge are supported. The results suggest that both network exploration and exploitation capabilities have significant positive effects on how firms obtain and upgrade their foreign market knowledge. This finding confirms those of previous studies that firms' exploration and exploitation capabilities have performance implications at a general level, such as in strategic alliances (Colombo, Doganova, Piva, D'Adda, & Mustar, 2015; Lavie et al., 2011), for R&D project performance in alliances (Hoang & Rothaermel, 2010), and for firms' recognition of international opportunities (Faroque, Morrish, et al., 2021). Based on Vahlne and Jonsson (2017), both perspectives to networking capability are necessary for international firms' success in today's global markets, while exploration is expected to result in distant performance outcomes more than those in the short-term (e.g., Auh & Menguc, 2005; Lennerts, Schulze, & Tomczak, 2020). Further, Shi et al. (2020) showed that a positive correlation exists between exploration and exploitation, and both types can strengthen firms' performance.

While both network exploration and exploitation capabilities have significant positive impacts on firms' stock of foreign market knowledge, entrepreneurial firms can leverage more benefits from their exploration capabilities in networks. This view is supported by Zhou (2007), who argued that firms' entrepreneurial proclivity can be extremely important in garnering foresight on foreign markets from several information sources that can come from both domestic and international networks. Entrepreneurial firms are more inclined to use innovative approaches; they also tend to proactively search for and garner novel business-critical information and marketplace insights, and to undertake risky endeavors that require them to search for new market information and knowledge with their explorative networking capabilities. Earlier studies (e.g., Acosta et al., 2018; Boso, Story, & Cadogan, 2013) also found that a combination of networking capability and strategic orientations strengthens firms' export performance. Although EO can affect explorative activities as well as the exploitative (Kollmann & Stöckmann, 2014), firms that are entrepreneurial in nature are expected to be involved in higher explorative activities (Shi et al., 2020). In other words, exploration is the dominating force, or greater than exploitation, in entrepreneurially oriented organizations (Mehrabian et al., 2019).

On the other hand, when firms focus only on exploitative networking

Table 1  
Correlation between variables, means, and standard deviations.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) Network exploitation	1									
(2) Network exploration	0.413**	1								
(3) International EO	0.335**	0.206**	1							
(4) Foreign market knowledge	0.399**	0.335**	0.401**	1						
(5) Responsive MO	0.322**	0.209**	0.339**	0.219**	1					
(6) Proactive MO	0.303**	0.240**	0.294**	0.234**	0.358**	1				
(7) Market performance	0.365**	0.282**	0.248**	0.301**	0.402**	0.415**	1			
(8) Firm age	0.079	0.131	0.122	0.116	0.081	0.097	0.067	1		
(9) Firm size	0.206**	0.163*	0.242	0.229**	0.214**	0.224**	0.132	0.336**	1	
(10) Industry	-0.035	0.033	-0.054	0.068	-0.036	-0.009	0.034	0.240**	0.154*	1
Mean	5.44	5.56	5.15	5.35	5.25	5.22	5.56	2.91	6.60	5.50
Standard deviation	0.95	1.0	1.02	1.07	1.08	1.11	0.99	0.77	2.13	5.84

Notes: N = 198; \*p < 0.05; \*\*p < 0.01, \*\*\*p < 0.001.

**Table 2**  
Results of hierarchical regression with foreign market knowledge as the dependent variable.

	Model 1	Model 2	Model 3	Model 4	Model 5
<b>Control variables</b>					
Firm age	-0.025	-0.010	-0.033	-0.035	-0.049
Firm size	0.058	0.039	0.055	0.053	0.071
Industry	0.103	0.100*	0.087	0.093	0.088
International EO	0.696***	0.407***	0.401***	0.392***	0.386***
<b>Single effects</b>					
Network exploitation		0.396***	0.184	0.211*	0.164
Network exploration			0.264**	0.274**	0.331***
<b>Interaction effects</b>					
Network exploitation x international EO				0.056	-0.139
Network exploration x international EO					0.222*
R <sup>2</sup>	0.505	0.577	0.600	0.603	0.612
Change in R <sup>2</sup>		0.072	0.023	0.003	0.009
F-value	49.274***	52.447***	47.813***	41.160***	37.194***

Notes: N = 198; \*P < 0.05; \*\*P < 0.01; \*\*\*P < 0.001.

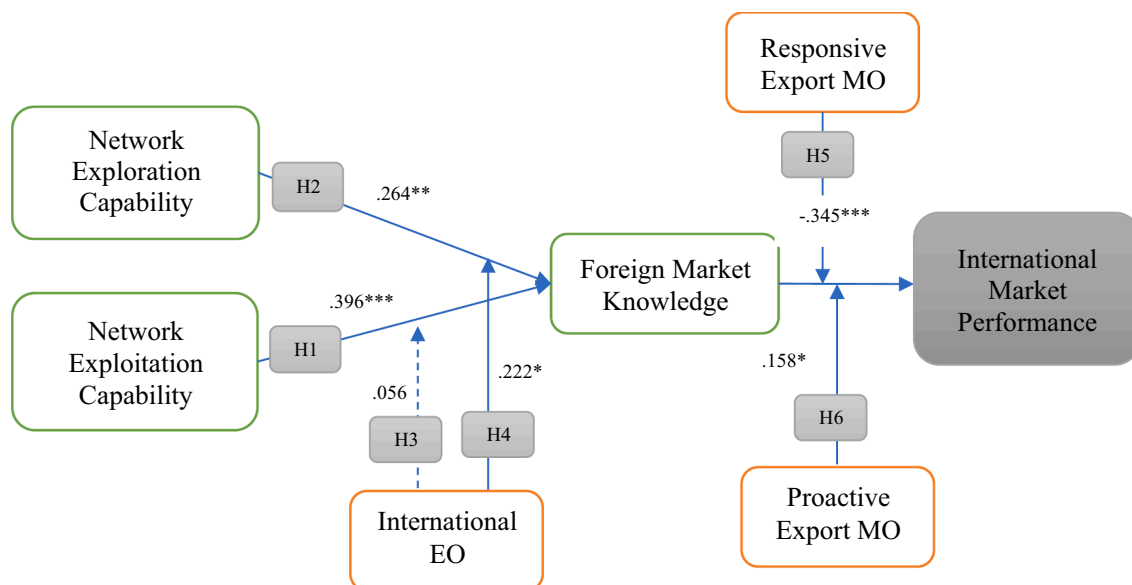
**Table 3**  
Results of hierarchical regression (market performance as the dependent variable).

	Model 1	Model 2	Model 3	Model 4
<b>Controls</b>				
Firm age	0.011	0.012	0.007	0.001
Firm size	-0.036	-0.075	-0.058	-0.051
Industry	0.051	0.019	0.007	0.010
Responsive export MO	0.327***	0.283***	0.288***	0.309***
Proactive export MO	0.374***	0.093	0.038	0.015
<b>Single effects</b>				
Foreign market knowledge		0.510***	0.494***	0.377***
<b>Interaction effects</b>				
Foreign market knowledge x responsive export MO			-0.345***	-0.302***
Foreign market knowledge x proactive export MO				0.158*
R <sup>2</sup>	0.425	0.577	0.612	0.625
Change in R <sup>2</sup>		0.152	0.035	0.013
F-value	28.352***	43.355***	42.787***	39.432***

Notes: N = 198; \*P < 0.05; \*\*P < 0.01; \*\*\*P < 0.001.

capabilities, being entrepreneurially oriented makes no difference in upgrading foreign market knowledge. Our findings imply that, although possessing international EO is beneficial for international firms in upgrading foreign market knowledge through explorative networks, it does not benefit (or harm) the stock of market knowledge through exploitative networks. The results of the current study contradict those of Baker et al. (2016), who found that conservative, risk-averse firms receive more benefits from learning through external networks than bold, entrepreneurial firms. This may be because Baker et al. (2016) did not differentiate between explorative and exploitative networks. Our results, thus, provide further insights into this area of research by differentiating between explorative and exploitative network activities/capabilities, and showing how EO produces different outcomes in knowledge development through dual networking capabilities.

Finally, the results indicate that both responsive and proactive export MOs moderate the foreign market knowledge-market performance relationship. Contrary to the negative impact of a responsive MO, the positive role of proactive MO implies that such MO is more important for sustainable competitive advantages. Existing studies support this differential impact (Lamore et al., 2013; Wang et al., 2013). Overall, researchers have reported a positive or more beneficial impact of proactive MO and negative or less influential impact of responsive MO for knowledge development, innovation, or innovation performance, or



**Fig. 2.** The results of hypothesized relationships.  
Note: The solid and dotted lines represent significant and nonsignificant associations, respectively (\*P < 0.05; \*\*P < 0.01; \*\*\*P < 0.001).



have proved the more appropriateness of responsive MO in stable environments than that of proactive MO in dynamic environment (Li et al., 2008; Zhang & Duan, 2010). Our results, therefore, corroborate the existing consensus in the literature that the impacts of two types of MO vary in terms of magnitude and mechanism (Zhang & Duan, 2010).

To summarize, networking capability helps firms gather strategic network resources and allows them to integrate, assimilate and synthesize various market-based knowledge (Mu et al., 2017). Market knowledge is a key intangible resource an internationalizing firm can acquire from its external networks (Bembom & Schwens, 2018). Nevertheless, instead of analyzing the obvious positive impacts of market knowledge on firms' market performance (Musteen et al., 2014), this research concentrated on the moderating role of MO in this association and produced more profound insights.

### 5.1. Theoretical contributions

The findings offer significant theoretical implications as follows. First, though earlier studies of industrial marketing considered networking as a capability, these studies largely focused on network exploitation activities, overlooking network exploration (Mitrega et al., 2017). To address this void, this research offers a deeper understanding of networking capability by analyzing it with the lens of the exploration-exploitation dichotomy and detailing how the different types of capabilities affect the development of foreign market knowledge. The mere existence of relationship ties is not enough to gain access to network resources, but firms need to apply networking capabilities to activate the network, present or new (Joyce, Woods, & Black, 1995). Conceptualizing networking capability as a dynamic capability, we have empirically demonstrated that a firm can create and upgrade its knowledge of foreign markets by reconfiguring its relationship portfolio, exploring new ties as well as exploiting the existing ones, beneficial to manage the marketplace dynamism.

Second, the current study contributes new insights to the boundary conditions of networking capabilities and on the mechanism that firms use to exploit and explore network relationships in order to develop foreign market knowledge. Considering the paucity of research on the boundary conditions of network/relational capabilities and firm performance (Forkmann et al., 2018), we investigated how network exploration and exploitation capabilities operate and interact with international EO to generate foreign market knowledge, and ultimately influence firms' market performance. Our argument is founded on the premise that superior market performance requires firms to develop and deploy both internal capabilities as well as external networks (Mu et al., 2017). The findings refine our understanding of the significant role of EO in marketing strategies, as signaled by, for example, Matsuno et al. (2002), Mehrabi et al. (2019), and Zhou et al. (2010).

Third, the differing moderating effects of proactive and responsive MO led us to conclude that an overreliance on the responsive dimension may have a deleterious impact on the market performance of international firms. The results demonstrate that this adverse effect may arise from exporting firms' need to engage in international entrepreneurial marketing (Yang, 2018), where proactive rather than reactive behavior leads to effective product-marketing strategies. Our results extend earlier findings on the importance of proactive over reactive MOs in determining beneficial outcomes in other business areas, such as new product development (Narver et al., 2004) and general performance (Voola & O'Cass, 2010). The present study, explaining the impact of the two types of export MO on the association between international market knowledge and market performance (e.g., Armario, Ruiz, & Armario, 2008) adds to the research that analyzes the impact of MO on firms' internationalization.

The results of this study also add to the pertinent literature on export MO by suggesting that MO may not inspire firms to upgrade the knowledge bases to the benefit of market performance if they concentrate solely on their current markets and underinvest in new and

emerging markets. Such firms fail to address the unarticulated needs of the existing and potential customers (Slater & Narver, 1995). They may also underrate the role of other learning sources offering knowledge that is valuable to the organization (Dickson, 1992; Farrell, 2000). Market-focused success can in fact foster resistance to learning, especially if firms rely on past behavior and interpretations on successful outcomes (Celuch, Kasouf, & Peruvembac, 2002). This happens in the case of responsive MO, i.e., "performance through market orientation" hinges upon a firm's ability to obtain and spread information about its target markets (Jiménez-Jiménez & Cegarra-Navarro, 2007, p. 704). Firms' ability to embrace changes and question all assumptions, processes and solutions in a responsive and adaptive way is also important (Jiménez-Jiménez & Cegarra-Navarro, 2007), especially when operating in dynamic foreign markets.

Finally, the study contributes to the exploration-exploitation perspective in internationalization literature by empirically examining the role of responsive (exploitative or market-driven) and proactive (explorative or market-driving) dimensions of export MO. The bulk of prior studies documenting the influences of exploitative and explorative capabilities on firms' success was conducted in domestic market settings, with limited research done in the context of exporting (Bicakcioglu-Peynirci & Ipek, 2020; Lisboa et al., 2011). Most scholars considered the responsive dimension of MO, arguing that MO reflects a market-driven capability which strongly emphasizes adaptiveness (Christensen & Bower, 1996), and accepts current activities and procedures without questioning (Cadogan et al., 2009). We distinguished between the proactive and responsive dimensions of export MO and found that the former strengthens the positive relationship between market knowledge and international market performance whereas the latter weakens this relationship. Overall, the results demonstrate that two strategic orientations of international firms, i.e., EO (positive role) and export MO (negative and positive roles, respectively, of responsive export MO and proactive export MO) are important boundary conditions of international market performance derived from dynamic network capabilities.

### 5.2. Managerial and policy implications

The results of this study provide the following managerial implications. Our findings show that networking capabilities have a strengthening impact on accruing market knowledge (when exploration and exploitation networking capabilities are utilized individually). Hence, managers of internationally operating firms should deploy both types to network capabilities so as to optimize their stock of foreign market knowledge. However, as has been confirmed by our analysis, managers should emphasize more on the network exploration capability as compared to network exploitation capability since the effect of the former on foreign market knowledge is greater than that of the latter. Additionally, our results show that firms with higher EO can access and create substantial market knowledge aided by their network exploration capability; it is, therefore, recommended for internationally operating firms to focus more on developing new relationships rather than limiting themselves to exploiting existing networks only. Export MO and foreign market knowledge have highly synergistic effects on market performance when exporting firms attend to proactive MO rather than responsive MO. This finding implies that practitioners should have a broader understanding of MO, i.e., beyond merely the traditional responsive approach. Specifically, when internationally operating firms engage in network exploration activities, they should also lay stress on their EO in order to reap greater rewards.

The results also suggest that focusing more on the latent and future needs of customers has greater positive effects on the overseas market knowledge-market performance association. Firm managers seeking to succeed in international markets should, thus, focus on developing proactive rather than just responsive MO capabilities. Despite the importance of the proactive dimension of MO, firms typically appear to

overlook or misinterpret this dimension (Blocker et al., 2011; Levinthal & March, 1993). Firms might overemphasize responsive MO because it requires applying the prevailing market knowledge to strengthen their position in the current markets, and thus, the performance outcomes are predictable and realized in the short-term; whereas proactive MO focuses on creating new knowledge to explore new customers and new markets, the returns from which are not only distant but also uncertain (Shi et al., 2020). To deliver superior products, services, or market offerings to the ever-evolving customer needs, international firms need to develop knowledge bases that go beyond realizing and responding to customers' expressed/present requirements, and engage in proactively identifying and fulfilling their latent/future needs. As a result, managers must occasionally upgrade their organizational market knowledge with new knowledge or novel recombinations of knowledge by employing a proactive export MO, in addition to expanding the existing stock of market knowledge with a responsive MO.

Furthermore, the findings imply that policymakers need to take steps to encourage and help internationalizing firms develop an organization-wide proactive MO ingrained in managerial attitude and organizational culture by offering market information sessions, market analysis, and similar training programs to these firms. Policymakers also need to design training programs that focus on developing internationalizing firms' network exploration capability in a way that can be accommodated in an entrepreneurially oriented organizational culture.

### 5.3. Limitations and directions for future research

Despite its insightful findings and contributions to germane literature, this empirical study has some limitations. Acknowledging these limitations provides directions for future research as follows. First, we

analyzed the impact of network exploration and exploitation capabilities on market knowledge individually. Future researchers might investigate whether there is a tradeoff between international firms' dual networking capability in upgrading market knowledge. We consider this a possibility since international firms in particular may have to decide between international expansion and networking capability development (e.g., Torkkeli, Saarenketo, & Nummela, 2015). Additionally, scholars argued that managing the tradeoffs between exploration and exploitation might be advantageous to resource-constrained firms, while firms with resource slack have the luxury of simultaneously pursuing exploration and exploitation (Cao, Gedajlovic, & Zhang, 2009). There are also environmental determinants of networking capability, such as market change. More market change is a greater benefit to younger firms when it comes to network exploration, whereas older firms could receive higher performance benefits with network exploitation (Faroque, Morrish, et al., 2021).

We also acknowledged that other strategic orientations, such as learning orientation, could have been included in the model. This study was focused on two specific types/dimensions of MO, with an emphasis on acquiring and upgrading market information. However, learning orientation, for instance, which is focused on examining the underlying logics that influence the interpretation of information, could be combined to enhance market-oriented behaviors (Baker & Sinkula, 1999). We also disregarded the tradeoff between responsive and proactive MO, a topic future research could investigate. Finally, the extent of the absorptive capacity of entrepreneurs and their firms may limit the extent of learning through networking capabilities. This possibility is also left for future studies as determining its dynamics in the context of industrial marketing would most likely require a closer empirical investigation.

## Appendix

**Table A1**

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

Constructs/items	Standard factor loadings	Mean/SD
<b>Network exploitation</b>		
<i>Inter-company and -personal coordination</i> ( $\alpha = 0.904$ )		5.475/1.141
1. We regularly communicate with existing network partners regarding mutual expectations (Mitrega et al., 2012)	0.825	
2. We match the use of resources (e.g., human, financial, etc.) to the present individual relationship (Walter et al., 2006)	0.809	
3. We are aware of our existing partners' goals, strategies and potentials (Walter et al., 2006)	0.843	
4. We work closely with business partners for developing product/service/offerings (Mitrega et al., 2012)	0.807	
5. We have partner-specific coordinators who are responsible for the relationships with specific partners (Walter et al., 2006)	0.762	
6. We discuss regularly with our existing partners how we can support each other in our success (Walter et al., 2006)	0.753	
7. We inspire our employees to create close social ties with business partners (Mitrega et al., 2012)	0.634	
8. We socialize with business partners at networking events (Walter et al., 2006)	0.746	
<i>Conflict management</i> ( $\alpha = 0.764$ )		5.583/1.105
9. We have a formalized procedure about how to deal with conflict with business partners (Mitrega et al., 2012)	0.702	
10. We train our employees in how to handle conflict with network partners (Mitrega et al., 2012)	0.814	
11. We can deal flexibly with our existing partners (Walter et al., 2006)	0.765	
12. We almost always solve problems constructively with our existing partners (Walter et al., 2006)	0.778	
<i>Internal communication</i> (Walter et al., 2006) ( $\alpha = 0.745$ )		5.34/1.054
13. We have regular meetings for every ongoing project in our organization	0.716	
14. Employees develop informal contacts among themselves in our organization	0.722	
15. Communication often takes place across projects and subject areas in our organization	0.755	
16. Managers and employees in our organization give feedback to each other about existing partners	0.706	
17. Information is often spontaneously exchanged in our organization	0.618	
<b>Network exploration</b> (Mitrega et al., 2012; Parida et al., 2009)		
<i>Initiation/attraction capability</i> ( $\alpha = 0.878$ )		5.63/1.183
1. We are constantly open to new relations with new partners	0.737	
2. We actively try to find new network partners	0.870	
3. We are able to initiate mutual relationships with new partners	0.827	
4. We explain our firm's relational success to potential partners	0.890	
5. We emphasize our reputation for reliability to potential partners	0.775	
6. We inform potential partners about our firm's offerings	0.623	
<i>Coordination</i> ( $\alpha = 0.816$ )		5.537/1.117
7. We know potential partners' goals, strategies and potentials	0.691	
8. We evaluate resources and capabilities of potential business partners (Mitrega et al., 2012)	0.814	
9. We have specific coordinators appointed for searching and building new partner relationships (new)	0.824	

(continued on next page)

Table A1 (continued)

Constructs/items	Standard factor loadings	Mean/SD
10. We empower the specific coordinators to build new relationships with necessary resources (new)	0.881	
<b>Foreign market knowledge</b> (Musteen et al., 2014)		
<i>Foreign competitors</i> ( $\alpha = 0.860$ )		5.328/1.235
1. Knowledge of competitors in foreign markets	0.904	
2. Knowledge of level of competition in overseas markets	0.925	
3. Knowledge of competitive strategies employed by firms in overseas markets	0.819	
<i>Foreign culture</i> ( $\alpha = 0.824$ )		5.298/1.19
4. Knowledge of norms and values in international markets	0.806	
5. Knowledge of differences in the business practices in international markets	0.893	
6. Knowledge of impact of cultural differences on business	0.880	
<i>Foreign political/legal environment</i> ( $\alpha = 0.832$ )		5.478/1.21
7. Knowledge of differences in the legal systems in foreign markets	0.848	
8. Knowledge of risks associated with doing business in overseas markets	0.853	
9. Knowledge of foreign government rules and regulations	0.894	
<i>Foreign customers</i> ( $\alpha = 0.890$ )		5.407/ 1.173
10. Knowledge of customer segments and demographics in international markets	0.862	
11. Knowledge of foreign customers' needs and preferences	0.875	
12. Knowledge of trends in customer preferences and needs in international markets	0.867	
13. Knowledge of existence of unmet/unsatisfied customer needs in international markets	0.866	
<i>Foreign business opportunities</i> ( $\alpha = 0.826$ )		5.284/1.315
14. Knowledge of opportunities for partnering in foreign markets	0.923	
15. Knowledge of opportunities for potential new customers	0.923	
<i>Channels of distribution</i> ( $\alpha = 0.864$ )		5.251/1.306
16. Knowledge of types/quality of available distribution channels in overseas markets	0.895	
17. Knowledge of appropriateness of current foreign distribution channels to your firm	0.874	
18. Knowledge of quality of current distribution channels abroad	0.890	
<b>Export MO</b>		
<i>Proactive export MO</i> ( $\alpha = 0.854$ )		5.30/1.1
1. We assist our overseas customers to anticipate developments in their markets	0.763	
2. We try to find out overseas customers' additional needs of which they are unaware	0.833	
3. We brainstorm on how overseas customers use our products and services	0.827	
4. We search for opportunities in areas where overseas customers have difficulties expressing their needs	0.806	
5. We extrapolate key trends to gain insight into what overseas customers will need in the future	0.775	
6. We help our overseas customers anticipate developments in their use of our products and services	0.717	
7. We incorporate solutions to unarticulated overseas customer needs in our new products and services	0.682	
8. We work with lead users to recognize the needs of the majority of overseas customers in advance	0.736	
<i>Responsive export MO</i> ( $\alpha = 0.846$ )		5.25/1.08
9. We constantly monitor our level of commitment and orientation to serving overseas customer needs	0.635	
10. Our strategy for competitive advantage is based on understanding overseas customers' expressed needs	0.839	
11. We measure overseas customer satisfaction systematically and frequently	0.789	
12. We are more overseas customer-focused than our competitors	0.735	
13. I believe this business exists primarily to serve overseas customers	0.734	
14. Our company's business objectives are driven by overseas customer satisfaction	0.678	
15. Data on overseas customer satisfaction are disseminated at all levels in this company	0.701	
<b>Export EO</b>		
<i>Proactiveness</i> (Kuivalainen et al., 2007; Wang, 2008) ( $\alpha = 0.734$ )		5.174/1.33
1. We seek to exploit anticipated changes in our export market ahead of our rivals	0.843	
2. We act opportunistically to shape the export environment in which we operate	0.809	
3. We consistently try to position ourselves to meet emerging export market demands	0.771	
<i>Risk-taking</i> (Jambulingam et al., 2005; Wang, 2008) ( $\alpha = 0.774$ )		4.84/1.22
4. Top export managers of our company, in general, tend to invest in high-risk export projects	0.781	
5. This company shows a great deal of tolerance for high-risk export projects	0.807	
6. Our export strategy is characterized by a strong tendency to take risks	0.788	
7. Taking chances is part of our export business strategy	0.711	
<i>Innovativeness</i> (Jambulingam et al., 2005) ( $\alpha = 0.812$ )		5.388/1.07
8. Our company is reputed as an innovator among businesses in our industry	0.730	
9. We promote new, innovative product/services in our company	0.772	
10. Our company provides leadership in developing new products/services	0.757	
11. Our company is constantly experimenting with new products/services	0.752	
12. We have built a reputation for being the best in our industry to develop new methods and technologies	0.765	
<b>International market performance</b> (Leonidou et al., 2011) ( $\alpha = 0.912$ )		5.64/1.02
1. Satisfaction with acquiring new export customers	0.720	
2. Satisfaction with new export market entry	0.795	
3. Satisfaction with performance in strategically important target markets	0.772	
4. Satisfaction with providing superb value to export customers	0.812	
5. Satisfaction with retaining valued export customers	0.809	
6. Satisfaction with company reputation among export customers	0.834	
7. Satisfaction with export customers' satisfaction	0.758	
8. Satisfaction with delivering exactly what export customers want	0.795	

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