

The effect of foreign market knowledge on SME export performance: a study of non-traditional SMEs in Ghana

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Abstract

Purpose – It is well documented in the extant literature that knowledge plays a crucial role in small and medium enterprise (SME) internationalization. Exporting SMEs from developing economies faces many challenges, including lack of knowledge about institutions in foreign markets, inadequate knowledge about foreign institutions and limited internationalization knowledge (IK). However, research on the export performance of SMEs has thus far focused on the internationalization strategies of multinational corporations. This study aims to explore the effect of foreign market knowledge on SME export performance. The authors also assessed the moderating effect of employee absorptive capacity in the knowledge-performance nexus.

Design/methodology/approach – The authors adopted a survey design to collect data from owners/managers of SMEs exporters in the Greater Accra region of Ghana. A total of 350 questionnaires were distributed based on convenience. Of this number, 257 usable responses were used in the final analysis. The authors tested the proposed model using partial least squares-structural equation modeling.

Findings – The findings show that the three types of foreign market knowledge tested in this study, namely, foreign institutional knowledge (FIK), foreign business knowledge and IK have positive and significant effects on SME exporters' performance. It also shows that employees' absorptive capacity affects the relationship between FIK and SME exporters' performance.

Originality/value – The study demonstrates the types of knowledge relevant to SME export performance. The study further demonstrates the moderating effect of employee absorptive capacity on the relationship between knowledge and export performance. The study advances existing knowledge on SME performance, especially from an emerging economy context.

Keywords Knowledge, Ghana, SMEs, PLS-SEM, Absorptive capacity, Export performance

Paper type Research paper



Introduction

The emergence of international business has contributed to the rapid growth of exporting among small and medium enterprises (SMEs). Exporting has become an internationalization option for (SMEs) due to the lower risk involved and the minimal resources it requires (Njinyah, 2018). Exporting helps SMEs access new markets and creates additional resources, ensuring survival, profitability and overall performance of SMEs (Filatotchev *et al.*, 2009; Musteen *et al.*, 2014). Empirical findings from past studies on export performance in the African context have revealed a multiplicity of factors that influence the performance of exporting firms in the region. For instance, factors such as firm size, resource availability, social capital and innovativeness have been recognized as critical determinants of export performance of firms in developing countries (Adu-Gyamfi and Korneliussen, 2013; Easmon *et al.*, 2019; Olabode *et al.*, 2018). A study on the determinants of export performance in five manufacturing firms in Africa (Ghana, Kenya, Nigeria, Tanzania and South Africa) demonstrated that firm size and human capital were essential drivers of export performance (Teal *et al.*, 2006). As such, exporting SMEs from these contexts presents a unique case to examine export performance. For instance, Khanna and Palepu (2000) note that emerging economies lack the institutions necessary to ensure effective market exchange. In addition, capital markets, labor markets, product markets and state regulatory mechanisms are more advanced in western countries but are still at their nascent stages in developing economies (Singh, 2009). In addition, emerging market environments are very risky as a result of economic and political systems, hence, exposure of SMEs in these contexts to foreign markets aggravates their challenges (Singh, 2009). Consequently, firms that have better knowledge about internationalization and foreign markets are better off than those that do not. As such, knowledge can act as a strategic resource that could be used to curb the impact of some of these inefficiencies. It is, therefore, crucial for exporting SMEs to use this strategic intangible resource to excel in foreign markets as it can act as a source of competitive advantage for these firms (Contractor, 2013; Yildiz *et al.*, 2019).

Recent scholarly pieces of evidence suggest that tangible and intangible resources are needed by SMEs to succeed in foreign markets (Olabode *et al.*, 2018; Paul *et al.*, 2017). Yet, resource constraints have been identified as a major challenge for exporting SMEs from developing economies. Exporting SMEs further face liabilities such as smallness, newness, foreignness, outsidership and home liabilities (Johanson and Vahlne, 2009; Mejri *et al.*, 2018). In particular, knowledge has been identified as a crucial variable for firm performance in overseas markets (Mejri *et al.*, 2018). Lack of knowledge and misconception about foreign markets, as well as lack of employees with relevant experience in foreign markets, are some of the significant export problems of SMEs (Baykal and Gunes, 2004; Stoian *et al.*, 2018). Inadequate knowledge has been repeatedly linked to the failure of exporting SMEs (Adu-Gyamfi and Korneliussen, 2013; Boso *et al.*, 2016). Based on the evidence currently available, it seems fair to suggest that institutional knowledge, foreign market knowledge and internationalization knowledge (IK) are important sources of competitive advantage for exporting SMEs. For instance, research has shown that IK is necessary for firms to grow in international business (Deligianni *et al.*, 2015). However, the extant literature has rarely empirically examined these types of knowledge and their relevance to exporting SMEs.

Available literature depicts that the resource-based view (RBV) is a dominant theory used to examine export performance (Chen *et al.*, 2016; Mahmoud *et al.*, 2020;

Mejri *et al.*, 2018). Drawing on this theory, some researchers (Bai *et al.*, 2017; Musteen *et al.*, 2014) have argued that knowledge can serve as a conduit through which SME exporters can coordinate other resources to create a competitive advantage to improve their performance. Nonetheless, knowledge alone does not determine an export firm's performance (Chen *et al.*, 2016); export firms require capabilities as well to make effective use of the knowledge acquired (Boso *et al.*, 2016; Johanson and Vahlne, 2009; Mahmoud *et al.*, 2020; Raymond and St-Pierre, 2013). Capabilities allow firms to acquire knowledge and disseminate this knowledge across different units. This enables businesses to understand the challenges and opportunities in the export environment. The relevance of capabilities in knowledge acquisition, dissemination and utilization highlight the role of absorptive capacity in the knowledge-performance nexus (Olabode *et al.*, 2018). Thus, absorptive capacity has been linked to firm performance as studies suggest that it enables a firm to learn in foreign markets (Junni and Sarala, 2013; Schweisfurth and Raasch, 2018; Wu and Voss, 2015; Zahra and Hayton, 2008). Absorptive capacity has also been found to improve customer acquisition and retention; aid firms to increase their marketing knowledge, identify market opportunities and enhance marketing capability (Chen *et al.*, 2016; Matusik and Heeley, 2005; Mejri *et al.*, 2018; Peng and Turel, 2020; Rakthin *et al.*, 2016; Tortoriello *et al.*, 2014; Yildiz *et al.*, 2019). Despite its important role, studies investigating the effect of employee absorptive capacity on the knowledge performance nexus of exporting SMEs are scarce. Although organizational absorptive capacity depends on employees' absorptive capacity, prior research only examined organizational absorptive capacity (Domurath and Patzelt, 2016; Schweisfurth and Raasch, 2018; Wu and Voss, 2015). Thus, this study contributes to the burgeoning body of research by examining the role of employee absorptive capacity on the knowledge-performance link. Though several determinants of export performance have been studied in the past (Evangelista and Lancy, 2016; Saleh, 2020; Sekyere and Acheampong, 2017), the role of knowledge as a strategic resource and employee absorptive capacity as an important capability and their linkages to export performance have been understudied. Thus, the current research extends the literature by bridging this gap.

From a contextual perspective, it is acknowledged that there have been many studies on export performance on SMEs in African economies (Abban *et al.*, 2013; Boso *et al.*, 2016; Mahmoud *et al.*, 2020; Njinyah, 2018; Olabode *et al.*, 2018). Nevertheless, limited attention has been given to the role of knowledge and employee absorptive capacity. Thus, the current study examines the effect of foreign institutional knowledge (FIK), foreign business knowledge (FBK) and IK on SMEs' export performance. This research contributes to existing knowledge on SME export performance in two ways. First, it identifies the relevant types of knowledge which impact SMEs' export performance. Second, the study demonstrates the linkages between the acquisition and use of these types of knowledge by individual employees within a firm and how it can improve SMEs' export performance.

The next section presents the theoretical underpinnings of the study and develops the research hypotheses. The subsequent sections discuss the research methodology, results and theoretical and practical implications.

Theoretical perspectives

The current study uses the RBV and the knowledge-based view as theoretical cases. The RBV is based on the assumption that firms within an industry may differ in terms of their resources and these resources may not be moved easily within firms. Thus, differences in firms' resources can be lasting (Barney, 1991). The theory posits that resources and

capabilities are the foundation of competition among firms (Barney, 1991; Wernerfelt, 1984). A resource, according to Wernerfelt (1984), is anything that strengthens the operations of a firm. Firm resources can be tangible or intangible in nature and they are tied to the firm's profitability. The RBV is premised on the fact that resources that are valuable, rare, imperfectly imitable and non-substitutable are important sources of competitive advantage and superior performance (Barney, 1991; Kozlenkova *et al.*, 2013). The RBV addresses how firms achieve improved performance compared with other firms within the same industry by acquiring a unique resource (Davis and Dewitt, 2021; Dhanaraj and Paul, 2003). The current study posits that FIK, IK, FBK and employee absorptive capacity are important intangible resources that are valuable, rare, imperfectly imitable and non-substitutable, contributing to a firm's performance and competitiveness. Several studies have applied the RBV to study export performance (He *et al.*, 2013; Mahmoud *et al.*, 2020; Saleh, 2020). There is evidence in the literature to support the fact that various intangible resources significantly impact export performance, including export intensity, relational resources (Mahmoud *et al.*, 2020; Manolova *et al.*, 2010), outward foreign direct investment motives and behavior (Huang and Renyong, 2014). Hence, this study, by way of extending the RBV, postulates that FIK, FBK and IK are important resources that can influence export performance if properly harnessed.

The study further sought guidance from the knowledge-based view. According to the knowledge-based view, an organization's value-creating activities are knowledge-dependent (Grant, 1996). As such, knowledge is regarded as a strategic resource that firms use to organize other resources and develop their competitive advantage (Bai *et al.*, 2017). A firm is organized based on divergent knowledge forms that act together to establish a comprehensive knowledge system (Hamilton and Philbin, 2020; Spender, 1998). Knowledge refers to information that is important, operational and relies to some extent on experience (Leonard and Sensiper, 1998). It encompasses contextual information, formed experience, values and skilled insights (Davenport and Prusak, 1998). Knowledge minimizes uncertainties and ensures that reality is meaningful (Cabrera-Suárez *et al.*, 2001). Zhou (2007) and Eriksson *et al.* (1997) identified FIK, FBK and IK as types of knowledge essential for export performance.

Firms gain a competitive advantage based on their knowledge and ability to develop this knowledge (Cabrera-Suárez *et al.*, 2001). Empirical studies have constantly depicted that the overall state of knowledge differs by a firm, and the large proportion of a firm's knowledge is linked with positive outcomes gained by the firm (Grant, 1996). Although knowledge plays a significant role in firms' export performance, the mere possession of knowledge may not significantly influence performance (Chen *et al.*, 2016). It may depend on the firm's ability to recognize the relevance of the knowledge and use them (Bai *et al.*, 2017; Cohen and Levinthal, 1990; Raymond and St-Pierre, 2013). In line with the foregoing theorization, it is argued that exporting is knowledge-dependent; as such, FIK, FBK and IK are important for the performance of exporting SMEs.

Absorptive capacity

Absorptive capacity is one of the dominant concepts in organizational learning and knowledge management literature. It refers to a firm's ability to identify relevant knowledge, acquire them, assimilate it and apply them for the benefit of the firm (Cohen and Levinthal, 1990). Turbulence has raised the need for knowledge as an important competitive advantage source (Rua, 2018). Accordingly, absorptive capacity has been identified as necessary in aiding firms to survive pressures in the business environment (Gölgeci and Kuivalainen, 2020).

Absorptive capacity is usually studied at the firm level; nevertheless, some scholars have studied it at the individual level, and they contend that individuals' absorptive capacity is the basis for a firm's absorptive capacity (Dahlander *et al.*, 2016; Schweisfurth and Raasch, 2018). Numerous studies have assessed the relationship between knowledge, absorptive capacity and firms' performance. These studies have treated absorptive capacity as an antecedent to knowledge sharing and transfer (Junni and Sarala, 2013) and have also depicted the positive relationship between absorptive capacity and firm export performance (Prashantham and Young, 2011; Wu and Voss, 2015).

Absorptive capacity is pivotal to entrepreneurs' success in foreign markets (Domurath and Patzelt, 2016). Yildiz *et al.* (2019) assessed the antecedents of absorptive capacity and linked it to individual motivation. Their results demonstrate that individuals who accept new experiences and assignments to distant nations are valuable opportunities for the development of absorptive capacity. Extending this logic to SME's export performance, it is postulated that employees' ability to apply knowledge possessed by a firm positively impacts SME export performance. Studies that have examined the moderating effect of absorptive capacity on the relationship between knowledge and export performance are scarce. Subsequently, this study assesses the moderating role of absorptive capacity in the relationship between three types of knowledge (FIK, FBK and IK) and SMEs' export performance.

Research model and hypotheses development

Foreign institutional knowledge and firm performance

FIK refers to the knowledge about a foreign market's culture, institutions, rules and regulations (Zhou, 2007). Inadequate institutional knowledge could make it challenging for organizations to understand the laws applicable in foreign markets and how they are applied in practice by the government (Bell and Cooper, 2018). Furthermore, lack of institutional knowledge could make firms experience high liability of foreignness when economic and institutional settings differ widely from their home country (Bell and Cooper, 2018). Increased knowledge about institutions in foreign markets facilitates the positioning of products and the detection and creation of beneficial business relationships, preventing costly errors linked to early internationalization efforts (Eriksson *et al.*, 2015; Zhou, 2007).

Previous studies emphasize the crucial function of FIK on a firm's performance in overseas markets (Liu *et al.*, 2019; Zhou, 2007). For instance, prior research indicates that FIK gained through business activities in international markets is specifically essential in overcoming challenges associated with the foreign market entry (Zhou, 2007). It improves an export firm's ability to rapidly identify business opportunities in foreign markets (Knight and Liesch, 2002). It has also been acknowledged to increase the confidence of managers of exporting firms in their power to cope with the challenges linked with international trade (Liesch *et al.*, 2011). The findings of previous studies also confirm a positive relationship between FIK and firm performance in overseas markets (Goyal and Kumar, 2020; LiPuma *et al.*, 2013; Liu *et al.*, 2019). Hence, the following hypothesis is expected to hold:

H1. FIK has a significant positive relationship with firm performance.

Foreign business knowledge and firm performance

FBK is related to customers, competitors and market conditions in a specific foreign market (Zhou, 2007). It can be acquired from a firm's own tendency for innovativeness, risk-taking

and proactiveness, as well as its exposure to cultural diversity (Galdino *et al.*, 2019). Studies indicate that FBK acquired from foreign business contacts ensures a comprehensive understanding of client preferences and a good interpretation of client information; this leads to reduced costs associated with internationalization (Liu *et al.*, 2019; Wang, 2015). There seems to be a consensus among scholars that FBK serves as an intangible asset that can generate competitive advantage (Lin *et al.*, 2015; Liu *et al.*, 2019). Prior studies have also revealed that FBK aids a firm in exploiting knowledge asymmetry between home and host country through the provision of new products and services (Lin *et al.*, 2015; Wang, 2015). There is evidence in the extant literature to support the fact that FBK allows firms to spot business opportunities in their home country by making correct comparisons between home and host countries (Goxe, 2010; Vissak *et al.*, 2020). In line with the extant literature, it is hypothesized that as follows:

H2. FBK has a significant positive relationship with firm performance.

Internationalization knowledge and firm performance

IK refers to a firm's knowledge about adapting resources and capabilities to conduct international business (Zhou, 2007). This type of knowledge is not specific to a particular foreign market but on general knowledge on doing business abroad (Galdino *et al.*, 2019). By depending on prior experiences in foreign markets, firms incorporate learned routines that lend support to their current internationalization processes and their entry and growth in new foreign markets not yet serviced by them (Galdino *et al.*, 2019). IK is also related to a firm's capacity to comprehend and follow multiple foreign opportunities (Blomstermo *et al.*, 2004; Stoian *et al.*, 2018). It provides firms with the unique ability to understand and pursue several international opportunities (Blomstermo *et al.*, 2004). It is largely captured and used by major actors in the firm like employees, and it can be developed jointly with foreign business partners. It has also been found to assist managers of exporting SMEs to deal with exporting in particular and internationalization in general (Stoian *et al.*, 2018).

This type of knowledge is usually codified, and it is embedded in principles for assessing and pursuing new international market opportunities (Fletcher and Harris, 2012). Furthermore, IK influences a firm's ability to take suitable action when creating new markets (Zhou, 2007). A study by Prashantham and Young (2011) revealed that internationalization knowledge supports firms to screen international markets, evaluate their business partners and manage foreign investments. Available studies further depict that a positive relationship exists between IK and differences in firms' experiences in different foreign markets (Bai *et al.*, 2017; Meiri *et al.*, 2018). Based on the foregoing discussion of the literature, it is hypothesized that as follows:

H3. IK significantly influences firm performance.

The moderating role of employee's absorptive capacity

According to Cohen and Levinthal (1990, p. 218), absorptive capacity refers to "the ability of a firm to recognize the value of new external information, assimilate it and apply it to commercial ends." The concept is crucial because it draws attention to divergence among organizations regarding their power to use external knowledge. Hence, even though the competition is exposed to the same external knowledge, there will be differences in the understanding and usage of that knowledge in business efforts (Cuervo-Cazurra and Rui,

2017). The capacity to absorb knowledge outside the firm is embedded in employees (Schweisfurth and Raasch, 2018). Firms depend on individual employees to acquire knowledge from external sources (Dahlander *et al.*, 2016). Extending this notion to the concept of absorptive capacity, Cohen and Levinthal (1990) assert that the absorptive capacity of a firm relies on the absorptive capacities of its individual members.

In line with this assertion, Schweisfurth and Raasch (2018) indicate that employees' absorptive capacity stems from organizational absorptive capacity and can be leveraged to facilitate firm performance. Available studies reveal that employee absorptive capacity emanates from sources such as previous knowledge, cognition and diverse external networks (Jiménez-Castillo and Sánchez-Pérez, 2013). Employee absorptive capacity has also been linked to positive results such as task performance, Knowledge creation and innovation (Domurath and Patzelt, 2016; Prashantham and Young, 2011; Tortoriello *et al.*, 2014). It also allows an organization to learn about overseas markets and gain outstanding international performance effectively. The traditional international marketing literature and the international entrepreneurship literature suggest that there is a nexus between foreign market knowledge, absorptive capacity and organizational performance (Cohen and Levinthal, 1990; Junni and Sarala, 2013; Prashantham and Young, 2011; Wu and Voss, 2015). With the positive relationship between knowledge and absorptive capacity and absorptive capacity and firm performance, the current study argues that firm performance arising from foreign market knowledge requires employee absorptive capacity. Hence, we hypothesize that as follows:

- H4. Employee absorptive capacity moderates the relationship between IK and firm performance.
- H5. Employee absorptive capacity moderates the relationship between FBK and firm performance.
- H6. Employee absorptive capacity moderates the relationship between foreign institution knowledge and firm performance.

The research model suggests that three types of knowledge, namely, FIK, FBK and IK, positively affect SME export performance. Employees' absorptive capacity is expected to affect the relationship between FIK, FBK, IK and SME export performance. Figure 1 presents the proposed model of the study.

Methodology

Measurement instrument

Straub *et al.* (2004) recommend that researchers adopt previously validated scales to improve content validity. In line with this recommendation, the authors derived items for IK, FBK and FIK from Zhou (2007). Similarly, items measuring employee's absorptive capacity were also adopted from Camisón and Forés (2010). The authors derived items from Njinyah (2018) to measure SMEs export performance. All items were measured using a five-point Likert scale anchored between strongly disagree (1) and strongly agree (5). The constructs and the items used to measure them are presented in Appendix.

Sample and data collection. Data were collected over two months (from February to March 2019) from export companies in Ghana. A database of 560 SME exporters was procured from the Ghana Export Promotion Authority. Of the 560 exporters, 430 had offices in Accra. The authors recruited an Accra-based marketing research company to collect data from the exporters based in Accra. The choice of Accra-based companies was based on

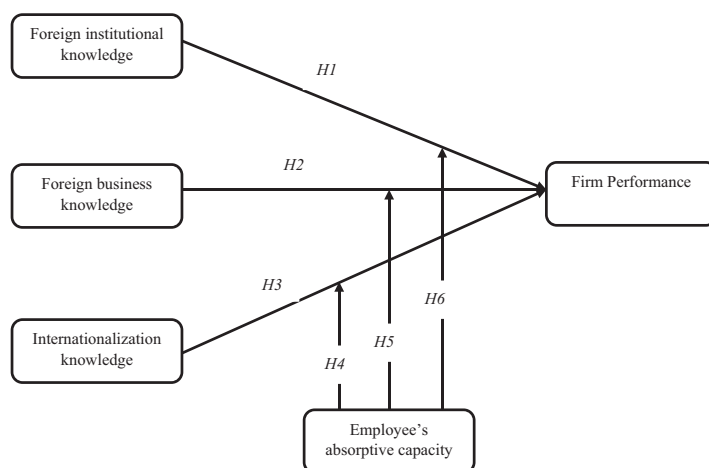


Figure 1.
Research model

convenience and because most of the companies were in Accra. The marketing research company used the addresses and telephone numbers provided by the Ghana Export Promotion Authority to locate the export companies. A total of 350 paper-based questionnaires were administered to these companies. After several follow-ups, 312 of the questionnaires were returned. Of the 312 returned questionnaires, 55 were not usable for data analysis, as most portions of the questionnaire were not completed. In all, 257 responses were used for data analysis. [Hair et al. \(2011\)](#) recommends the 10-times rule in choosing the appropriate sample size. The rule suggests that researchers choose a sample size 10 times the number of constructs in the model. The sample size in the current study is far in excess of this recommendation. The SMEs involved in this study had at least five employees. They were all privately owned SMEs. Many of them have been operating for more than four years. However, they have been exporting for at least two years. [Table 1](#) presents a brief background on the firms sampled.

Data analysis technique

Data collected were analyzed using the partial least square approach to structural equation modeling (PLS-SEM) on WarpPLS6. The study adopts the two-step approach suggested by [Chin \(1998\)](#) for the analysis of SEM models. We first analyzed the measurement model's reliability and validity and then went ahead to assess the structural model. PLS-SEM was deemed appropriate for this study because it is less restrictive on residual distribution assumptions (multivariate normality assumptions) than other analysis models such as the covariance-based approach to structural equation modeling ([Chin et al., 2003](#)). Evidence of the non-normal nature of the data is provided in [Table 2](#), as values for excess kurtosis and skewness are not equal to zero. Also, PLS-SEM is preferred when the study's main objective is to predict some target variables rather than confirmatory analysis ([Henseler et al., 2009](#)).

Results and analysis

Measurement model assessment

The measurement model's adequacy was assessed using reliability, convergent validity and discriminant validity ([Hair et al., 2019](#)). The reliability of the measurement model was evaluated using Cronbach's alpha and composite reliability (CR). Results presented in

Table 1.
Background
information

Variables	Frequency	(%)
<i>Firm age</i>		
1–5 years	39	15.17
6–10 years	82	31.91
11–15 years	57	22.18
16–20 years	59	22.96
>21 years	20	7.78
<i>How do you classify this firm</i>		
Small	82	31.91
Medium	122	47.47
Large	53	20.62
<i>Export experience</i>		
1–5 years	53	20.62
6–10 years	102	39.69
11–15 years	46	17.90
16–20 years	40	15.56
>21 years	16	6.23

Table 2.
Results for reliability,
discriminant and
convergent validity
testing

Items	IK	FBK	FIK	AC	PERF	Excess Kurtosis	Skewness	Cronbach's α	CR	AVE
IK1	0.787	0.406	0.300	0.259	0.368	3.565	-1.205	0.789	0.864	0.613
IK2	0.798	0.447	0.355	0.305	0.307	1.427	-0.562			
IK3	0.748	0.452	0.365	0.351	0.398	0.112	-0.191			
IK4	0.797	0.455	0.399	0.332	0.307	2.509	-0.927			
FBK1	0.437	0.771	0.475	0.337	0.268	1.729	-0.802	0.764	0.85	0.585
FBK2	0.54	0.753	0.415	0.314	0.309	1.884	-0.641			
FBK3	0.326	0.771	0.519	0.410	0.327	0.450	-0.385			
FBK4	0.419	0.765	0.573	0.435	0.345	1.393	-0.610			
FIK1	0.355	0.590	0.883	0.555	0.299	-0.760	-0.337	0.842	0.905	0.761
FIK2	0.454	0.581	0.916	0.553	0.35	-0.396	-0.219			
FIK3	0.373	0.523	0.815	0.418	0.277	0.193	-0.508			
AC1	0.362	0.368	0.496	0.783	0.248	-0.040	-0.290	0.843	0.884	0.561
AC2	0.263	0.369	0.489	0.783	0.179	-0.010	-0.327			
AC3	0.264	0.397	0.475	0.708	0.23	0.016	-0.346			
AC4	0.350	0.339	0.349	0.756	0.198	1.357	-0.702			
AC5	0.308	0.370	0.434	0.752	0.215	0.103	-0.373			
AC6	0.233	0.355	0.387	0.708	0.178	0.625	-0.445			
PERF1	0.394	0.337	0.296	0.227	0.911	0.254	-0.612	0.877	0.925	0.803
PERF2	0.454	0.354	0.318	0.266	0.883	0.626	-0.954			
PERF3	0.390	0.408	0.341	0.255	0.895	1.216	-0.793			

Notes: IK – internationalization knowledge, FBK – foreign business knowledge, FIK – foreign institutional knowledge, AC – employee's absorptive capacity, PERF – firm performance, CR – composite reliability and AVE – average variance extracted

Table 1 show that values for both Cronbach's alpha and CR are greater than the 0.7 benchmarks recommended by Hair *et al.* (2019). In assessing convergent validity, the rule is that average variance extracted (AVE) values for all constructs must be greater than 0.5 (Henseler *et al.*, 2016). Evidence of this requirement being met can be seen in Table 2.

As evidenced in Table 2, discriminant validity was evaluated by confirming that each construct's items load highest on their respective constructs. Also, from Table 3, it can be seen that the Fornell–Larcker criterion has been met, as the square root of the AVE for each construct is shown to be greater than their correlations between all other constructs.

Based on these criteria, we conclude that the measurement model exhibits sufficient evidence of reliability, convergent validity and discriminant validity.

Structural model assessment

Having verified the sufficiency of the measurement model, we went on to assess the structural model. Results of the structural model are presented in Table 4 and Figure 2. As shown in Table 4, FIK was found to significantly affect Performance ($\beta = 0.110, p = 0.036$). Similarly, FBK was also a significant predictor of Performance ($\beta = 0.177, p = 0.020$). IK was found to have the most significant effect on performance ($\beta = 0.319, p < 0.001$). In support of hypothesis H4, absorptive capacity was found to moderate the path between FIK and performance ($\beta = 0.103, p = 0.047$). However, the moderating effect of absorptive capacity on the paths between FBK and performance and IK and performance were found not to be significant. In all, the model proposed accounted for 31.2% of the variance in performance.

Discussion

The study's purpose was to examine the effects of different types of knowledge on the export performance of SMEs. We also assessed the impact of employee absorptive capacity on the relationship between different kinds of knowledge and SMEs' export performance. The findings show that all three types of knowledge in this study, namely, FIK, FBK and IK, have positive and significant effects on SME exporters' performance. It also shows that employees' absorptive capacity has an effect on the relationship between FIK and SME

	IK	FBK	FIK	AC	PERF
IK	0.783				
FBK	0.562	0.765			
FIK	0.453	0.648	0.872		
AC	0.398	0.489	0.586	0.749	
PERF	0.460	0.408	0.355	0.278	0.896

Note: Square roots of AVEs are shown on diagonal

Table 3.
Discriminant validity: Fornell-Larcker criterion

Hypotheses	Path	Path coefficient	p-value	Results
H1	FIK → PERF	0.110	0.036	Supported
H2	FBK → PERF	0.177	0.020	Supported
H3	IK → PERF	0.319	<0.001	Supported
H4	AC*FIK → PERF	0.103	0.047	Supported
H5	AC*FBK → PERF	0.083	0.088	Not supported
H6	AC*IK → PERF	0.032	0.301	Not supported
PERF	R^2	0.312	PERF	Q^2 0.277

Table 4.
Hypotheses testing

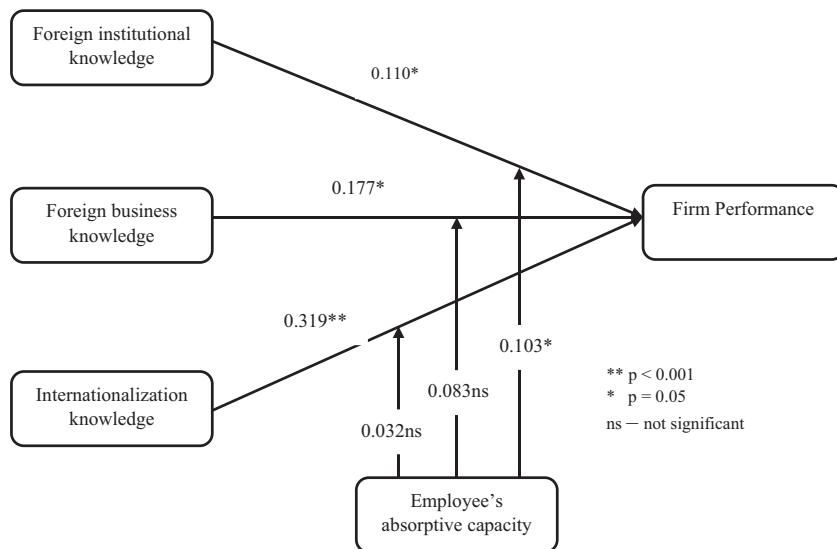


Figure 2.
Results of PLS-SEM
analysis

performance in overseas markets. However, the effect of employees' absorptive capacity on the relationship between FBK and IK and SMEs export performance was not significant. Our results are similar to [Baykal and Gunes \(2004\)](#), who noticed that lack of knowledge of foreign markets, misconception about foreign markets and lack of employees are critical export problems of SMEs. Our study is also consistent with [Zhou \(2007\)](#) and [Eriksson et al. \(1997\)](#), who identified FIK, FBK and IK as types of knowledge that significantly affect firms' performance. These types of knowledge are strategic resources in exporting and international business in general. IK and FBK help SMEs to understand their customers, the dos and don'ts of the foreign countries they export their products to and it enables them to overcome their operational challenges, thereby contributing to their performance ([Liesch et al., 2011](#)). For instance, the results of [Bai et al. \(2017\)](#) revealed that IK was essential for the success of exporting firms as it enhances the ability to promptly react to opportunities and easily access international markets. [Bai et al. \(2017\)](#) further assert that IK gathered from one or more countries acts as a key strength for exporting firms, this knowledge can lessen liabilities and drive international commitment and expansion. The positive relationship between IK and export performance further suggests that exporting SMEs in emerging markets such as Ghana can increase sales through the exploitation of IK. Similarly, the results of this study also confirm that of [Sapienza et al. \(2005\)](#), whose study showed that resource constrained ventures could leverage IK to expand in international markets. Without adequate knowledge of international business operations, exporting SMEs cannot improve their performance.

In addition, the results indicated that FBK has a significant positive effect on export performance. This result is in line with the findings of [Chetty et al. \(2015\)](#) and [Tan et al. \(2018\)](#). These studies showed that lack of FBK increases uncertainties for firms trying to expand their operations in overseas markets; thus FBK acquired by SMEs could be leveraged in distant markets to clarify goals and development possibilities. In addition, our findings support that of [Park et al. \(2015\)](#), who found FIK to be an important contributor to the performance of firms in overseas markets. [Park et al. \(2015\)](#) assert that firms can enter

foreign markets and intensify their foreign activities by capitalizing on a manager's FIK. Our study shows that although knowledge is a necessary resource, it is not sufficient for SME export performance. Employee absorptive capacity has the potential to strengthen the link between FIK and SME performance. In effect, employees that possess a broad and deep knowledge about foreign institutions will likely have higher levels of absorptive capacity with respect to foreign institutions. This improved absorptive capacity should lead to better performance in export markets. This result supports the assertion of [Judge et al. \(2015\)](#) that a board of directors with a broad knowledge base can expand a firm's absorptive capacity with regard to initial public offer (IPO) processes which will, in turn, lead to a better-managed IPO process. Analogously, in the context of export performance of SMEs, the findings of [Luis et al. \(2019\)](#) indicate that external knowledge could lead to export performance only if a firm has previously developed an effective level of absorptive capacity. Regarding absorptive capacity as the moderator of the link between IK, FBK and export performance, our hypothesized relationship was not supported. This suggests that other forms of absorptive capacity such as organizational absorptive capacity might be more critical when it comes to IK and FBK. Although these types of knowledge are essential for SME export performance, they are not relevant for employees compared to FIK. The results of our study provide confirmatory evidence that to improve performance significantly, knowledge about a country's standards, norms and laws must be disseminated to employees of a firm. Again, the employees must apply this knowledge in the day-to-day operations, as our study shows that employees' absorptive capacity affects the relationship between FIK and SME export performance. Our research supports the view that absorptive capacity can be studied at the individual level, as employee absorptive capacity was found to be essential for firm performance ([Cohen and Levinthal, 1990](#); [Schweisfurth and Raasch, 2018](#)).

Theoretical implication

This study's results are consistent with the RBV, which posits that organizations require resources to improve their performance ([Barney, 1991](#)). It also supports the view that knowledge is a critical intangible resource that firms need to succeed in their exporting activities ([Spender, 1998](#)). This is because our study shows that FIK, FBK and IK significantly impact SME export performance. However, there are variations in the impact of these types of knowledge on SME export performance. This study has demonstrated that firms that possess knowledge about the multitude of opportunities in the foreign market are likely to excel. This means that the effect of knowledge resources on performance depends on the type of knowledge a firm has and the relevance of the knowledge to the firm's operations. The findings also imply IK has the most significant effect on SME's performance in an emerging economy. It also suggests that SME managers must have experience in dealing with foreign business contacts and managing international business operations ([Stoian et al., 2018](#)). The findings of this study extend the resource-based and knowledge-based views by highlighting the role of knowledge and employee absorptive capacity as intangible resources and their effect on export performance.

Managerial implications

Our study highlights the relevance of learning and knowledge for SMEs from developing countries who are bedeviled with problems such as feeble institutions, weak economies, political instability, inadequate infrastructure, malfunctioning markets and poor industrial linkages. In line with international entrepreneurship research which diverts emphasis from conventional firm-specific assets such as technology and resources to firm's ability to learn and make use of knowledge, our results suggest that for SMEs to expand sales in overseas markets, they need to have knowledge about foreign institutions, how to internationalize

and foreign markets. Specifically, our results highlight the need for SMEs to be knowledgeable about the laws, regulations and values of foreign markets in which they decide to operate to ensure their entry into overseas markets is successful. Our findings further suggest that knowledge about foreign markets could assist SMEs in designing or adapting products that meet the taste and preferences of customers in overseas markets. The results further confirm that SMEs with foreign market knowledge are more likely to have a good understanding of competitors in overseas markets, channels of distribution and market risks, which will allow them to respond better to market needs, leading to export performance. Our study departs from previous studies, as it has highlighted the significance of intangible resources like knowledge to export performance and empirically tested the role of employee absorptive capacity in export performance. By increasing foreign market knowledge, FIK and IK and sharpening the skills of employees to use this knowledge, SMEs are likely to improve their success rates in overseas markets. The study results further highlight the need for SMEs to share knowledge with employees as they act as a conduit between the acquired knowledge and export performance.

Limitations of the study and recommendations for future research

Our study adopts a cross-sectional design; however, we expect that as firms improve in their levels of foreign market knowledge, they may achieve even higher levels of performance. Therefore, it would be interesting to collect longitudinal data to explore this relationship. The respondents were also selected from manufacturing and raw materials exporting firms; we recommend that future studies test our model using data sets from employees within service exporting SMEs.

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Appendix

Foreign institutional knowledge:

- FIK1: Our top managers' knowledge about foreign languages and norms.
- FIK2: Our top managers' knowledge about foreign business laws and regulations.
- FIK3: Our top managers' knowledge about host government agencies.

Foreign business knowledge:

- FBK1: Our top managers' knowledge about foreign competitors.
- FBK2: Our top managers' knowledge about the needs of foreign clients/customers.
- FBK3: Our top managers' knowledge about foreign distribution channels.
- FBK4: Our top managers' knowledge about effective marketing in foreign markets.

IK:

- IK1: Our top managers' international business experience.
- IK2: Our top managers' ability in determining foreign business opportunities.
- IK3: Our top managers' experience in dealing with foreign business contacts.
- IK4: Our top managers' capability for managing international operations.

Absorptive capacity

- AC1: Employees in our company have the capacity to capture relevant, continuous and up-to-date information and knowledge on current and potential competitors.
- AC2: Employees in our organization have the capacity to use and exploit new knowledge in the workplace to respond quickly to environmental changes.
- AC3: Employees in our company have the capacity to use information technologies to improve information flow, develop the effective sharing of knowledge and foster communication between members of the company.
- AC4: Employees in our company have the capacity to assimilate new technologies and innovations that are useful or have proven potential.
- AC5: Employees in our company have the ability to use employees' level of knowledge, experience and competencies in the assimilation and interpretation of new knowledge.
- AC6: Employees in our company have the capacity to adapt technologies designed by other firms to our company's particular needs.

Export performance:

- Increase scale of business.
- Return on investment.
- Establishment of a direct relationship with stakeholders.

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