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Top Management Team International Experience, International Information Acquisition and International Strategic Decision Rationality

Abstract

Purpose: The purpose of this paper is to test whether Top Management Team (TMT) international experience is associated positively to international information acquisition from managerial international contacts and whether international information partially mediates the positive relationship between TMT international experience and international strategic decision rationality.

Methodology: Data were collected through a survey of small- and medium-sized (SMEs) Pakistani international software firms.

Findings: This paper finds that TMT international experience is related positively to international information acquisition and that this information acquisition partially mediates the TMT international experience–international strategic decision rationality relationship.

Practical Implications: When selecting the members of their TMT, international firms should pay careful attention to their international experience.

Originality: Previous research demonstrates that TMT international experience has a positive effect on international strategic decision rationality and that this effect is transferred to performance. This study shows that the positive effect of TMT international experience derives from the personal international knowledge and the international information collected from managers' international contacts. This ability to make rational international strategic decisions could have a positive effect on decision making and firm performance.

Key Words: TMT international experience, international information acquisition, foreign network ties, decision rationality

Paper type: Research paper

1. Introduction

Knowledge is one of the firm's most important strategic resources (Grant, 1996). International knowledge and information can be the key to success for international firms (Gulanowski *et al.*, 2018) that have to interact with unknown foreign markets, characterized by different cultures, governments and competitors (Fernandes *et al.*, 2020; Le and Kroll, 2017; Mohr and Batsakis, 2019). Firms operating in the international market have two sources of international knowledge and information: the top management team's international experience (personal international knowledge) and international information acquired from external sources (Fernhaber *et al*., 2009). These external sources can be local or foreign (Levin and Bernard, 2013). Managers of international firms can use their foreign contacts or ties to access international knowledge and information useful for strategic decisions (Ellis, 2011; Hu *et al*., 2019; Levin and Bernard, 2013). Knowledge and information about different cultures, governments, institutions and other critical aspects allows more careful and rational (well informed) international strategic decisions (Child and Hsieh, 2014). In turn, better informed international strategic decisions are also more effective (Ji and Dimitratos, 2013) and lead to better firm performance (Jones *et al*., 1992). Azam *et al*. (2018) suggested that Top Management Teams' (TMTs) international experience provides the required fit in terms of the international knowledge and information needed for rational and effective international strategic decisions. They found that TMT international experience has a significant positive effect on international strategic decision rationality. Since decision rationality is a function of relevant knowledge and information (Elbanna and Child, 2007a), they argue that top managers with international experience provide the appropriate international knowledge and information through two main mechanisms: (1) the direct effect of personal international knowledge; and (2) international information (useful for international strategic decision making)

acquired from international contacts. In their model, TMT international experience was used to represent not only the personal international knowledge (first-hand international experiential knowledge) of managers, but also as a proxy of international information collected from managerial international contacts. Based on previous research (Cui *et al.*, 2015; Ellis, 2011; Hu *et al.*, 2019), Azam et al. assume that TMT international experience is positively associated to the ability of the TMT to collect decision-related international information from international contacts and ties. In other words, they assume that TMTs with international experience are able to access more international information, which, combined with their personal international knowledge, influences international strategic decision rationality. Unfortunately, these assumptions have not been explored further and our understanding of how international experience influences the process of international strategic decision-making is incomplete. The result is possible lack of exploitation of a relevant resource such as TMT international experience.

This paper explicitly tests for the direct effect of TMT international experience on international strategic decision rationality (hypothesis 1) and the indirect effect of TMT international experience through international information acquisition from managers' international contacts (hypotheses 2 and 3). We develop and test a framework, constructed on the basis of the following two questions: Is TMT international experience associated positively to international information acquisition from managers' international contacts? Does international information acquired from managers' international contacts partially mediate the positive relationship between TMT international experience and international strategic decision rationality? To address these questions, we draw on upper echelons theory (Hambrick and Mason, 1984), which suggests that organizational outcomes are influenced substantially by top management characteristics, and the extended version of that theory (e.g., Geletkanycz and

Hambrick, 1997). The extended upper echelons theory suggests that both the personal experience of the TMT (human capital) and the TMT's external ties (social capital), and information acquired from these sources, have a significant effect on the firm's strategic decisions.

Our study makes the following contributions. First, we contribute to the upper echelons literature and work on strategic decision making in the context of international firms, by disentangling the mechanisms that link TMT international experience to international strategic decision-making rationality. Second, we contribute to research on top management teams by combining internal and external perspectives in the context of international firms (Hass and Banerjee, 2008). The literature review by Elbanna et al. (2020) concludes that the focus on the strategic decision-making process in Small and Medium sized Enterprises (SMEs) internationalization is limited. They highlight the importance of external information from managers' personal ties for internationalization-related decisions and suggest that "*little attention has been given to how different types of network link, and the information they can provide, may be associated with different decision processes and outcomes. This requires further investigation because network context shapes managerial perception of risk, and as well as the planning and enactment of internationalization decisions*" (pp. 9). Our study tries to fill this gap in literature on SMEs' internationalization decision making, by exploring how the composition of international firms' TMTs can affect their capability to access useful information from international (outside) sources, which might influence their ability to make rational strategic decisions. Third, this study uses data on international software SMEs in an under-investigated, but important developing economy (i.e., Pakistan). This responds to calls (e.g., (Elbanna *et al.*, 2020) for more research on internationalization decision-making in developing economy SMEs.

2. Theoretical background and hypotheses development

According to Fredrickson and Mitchell (1984), it is useful to look at organizational strategy formulation as a decision-making process, that is, at how organizations make strategic decisions. Strategic decision-making research focuses either on strategic decision content or the strategic decision process (Elbanna and Child, 2007a). Work on strategic decision content deals with strategies such as mergers and acquisition, diversification and portfolio management (Elbanna, 2006). Research on the strategic decision process investigates with the actual process of how strategic decisions are made (Fredrickson and Mitchell, 1984) and focuses on rationality (or comprehensiveness), speed, politicization and other characteristics. The strategic decision process research includes two streams of work: one focuses on the formulation of strategic decisions and the other on the implementation of strategic decisions (Schwenk, 1995).

Our research takes a process view of the strategic decision-making and focuses on how TMT characteristics and composition affect the formulation of strategic decisions, in international firms, in terms of international strategic decision rationality. Dean and Sharfman (1996, pp. 373) define decision rationality as "*the extent to which the decision process involves the collection of information relevant to the decision and the reliance upon analysis of this information in making the choice*". In general, decision-making rationality has long been recognized as central to strategic decision-making and has been studied at length (Deligianni *et al.*, 2016; Elbanna and Child, 2007b). The study of rationality in strategic decisions is important for both research and practice because of its substantial positive effects on strategic decision effectiveness and subsequent firm performance (Dean and Sharfman, 1996; Ji and Dimitratos, 2013; Jones et al. 1992). As a result, several studies investigate the antecedents to strategic decision rationality. For example, Elbanna and Child (2007a) show that strategic decision rationality is affected by decision-specific, firm and

environmental characteristics while Goll and Rasheed (2005) find that top managers' characteristics have an influence on strategic decision rationality. However, in the international business literature, this focus on top manager characteristics, the decision-making process and decision rationality is scarce despite its importance for the international strategic decision-making process (Ji and Dimitratos, 2013; Child and Hsieh, 2014, Elbanna *et al.*, 2020). To address this gap, Azam *et al*. (2018) show that the international experience of the TMT is associated positively to international strategic decision rationality and that, in turn, international strategic decision rationality is associated positively to decision effectiveness. Similar to most upper echelons studies, Azam *et al*. (2018) rely on a (logical) proxy (Hambrick, 2007) to represent the two sources of this effect: the direct effect of TMT's personal international knowledge and the indirect effect of international information acquired from top managers' international contacts. They do not test explicitly whether personal international knowledge and international information have separate effects on international strategic decision rationality. To enhance our understanding of how international experience influences the process of international strategic decision-making and, in particular, decision-making rationality, in this study we build on Azam *et al*. (2018) and test explicitly for whether the positive effect of TMT international experience on international strategic decision rationality comes from (1) TMT personal international knowledge, and (2) international information acquired from managers' international contacts. Figure 1 provides a graphical representation of the model.

Insert Figure 1 about here

We use upper echelons theory as our main theoretical framework (Hambrick and Mason, 1984). According to upper echelons theory, organizational outcomes are influenced significantly by TMT

characteristics and composition. In line with upper echelons theory, TMT composition, in terms of the international experience of its members, affects international strategic decisions and the performance of international firms (Nielsen, 2010).

2.1 TMT international experience and international strategic decision rationality

TMTs with international experience have personal international knowledge which can be useful for international strategic decisions (Mohr and Batsakis, 2019; Nielson, 2010). International decision-making requires a focus on both business and cultural aspects. The complexities related to foreign environments require the TMT to have a good understanding of their cultural, economic and institutional background. Recent work on managerial cognition suggests that international experience shapes and enriches decision makers' mental models. It increases the range of knowledge domains and the ability to see connections across domains (e.g., Hsu *et al*., 2013; Maitland and Sammartino, 2015). Personal international knowledge can be particularly useful for avoiding habitual behaviours and schemas when making internationalization decisions (Dane, 2010). Thus, TMTs that include different cognitive structures have access to a wider range of information during the decision-making process (e.g., Gibson, 2001; Ungureanu and Bertolotti, 2018), in terms of information scanning, amount of information and analysis enabled by this information.

Also, TMT members with international experience acquire international information from their international social ties (Chen *et al.*, 2016; Ellis, 2011) and this can have a substantial effect on international strategic decision-making. TMT members with international experience are more likely to have a global mindset that will increase the probability of their recognizing, accepting, interpreting and utilizing the knowledge from different international sources (Gupta and

Govindarajan, 2002). It has been acknowledged that international social ties provide useful information to international firms (Levin and Barnard, 2013) and access to external knowledge and that its exploitation has a positive effect on organizational outcomes (Hu *et al.*, 2019; Yli-Renko *et al*., 2002). In addition, a specific composition of TMTs (in terms of international experience) may affect their capability to access useful information from outside sources (Hass and Banerjee, 2008), which, in turn, will affect TMT ability (to exploit it) to make rational strategic decisions. This discussion is in line with Burt (1992), who suggested that social capital provides access to information and references (e.g., friends of friends), and that references can be used to acquire more information.

The availability of relevant knowledge and information from (1) personal international experience and (2) international contacts of top managers might have a positive effect on international strategic decision rationality (Child and Hsieh, 2014). This proposition is based on the argument that decision rationality is the extent to which decision related information is collected and processed during the decision-making process (Dean and Sharfman, 1996). Based on the previous discussion and the findings in Azam *et al.* (2018), we propose:

H1: TMT international experience is associated positively to international strategic decision rationality

2.2 TMT international experience and international information acquisition

International experience instils in top managers sensitivity and cautiousness in relation to international strategic decision-making (Francioni *et al.*, 2015). Managers need international information to allow comprehensive analysis and to overcome the liability of foreignness and avoid costly mistakes in relation to foreign markets (Azam *et al.*, 2018; Hu *et al.*, 2019; Mohr and

Batsakis, 2019). Managers with international exposure tend to have more international ties and contacts and, thus, are able to collect more international information related to a strategic decision (Athanassiou and Nigh, 2002; Hu *et al.*, 2019). Ellis (2011) found that the international experience of managers has a positive correlation to international information collection from international ties. Internationalized TMTs are TMTs that include managers with experience of living, working and being educated in foreign countries. During this international experience, the individuals create strong international networks and make firm friendships. These international networks and foreign friends are unique (international) social capital which can be helpful for accessing useful information (Cui *et al.*, 2015; Hu *et al.*, 2019). Building on this, we argue that TMT internationalization is positively associated to the ability of the TMT to collect international information from international contacts. We hypothesize:

H2: TMT international experience is associated positively to international information acquisition (from managerial international contacts)

2.3 International information as a mediator between TMT international experience and international strategic decision rationality

Hypotheses 1 and 2 predict that TMT international experience is associated positively to international strategic decision rationality and international information acquired from managers' international contacts. It is reasonable to expect that international information mediates the positive relationship between TMT international experience and international strategic decision rationality. We have discussed the relationship between TMT international experience and international information acquisition; here, we focus on how international information affects international strategic decision rationality.

Decision rationality is a function of the availability of related information (Elbanna and Child, 2007). In case of international strategic decisions, the requirement is decision-related international information (Child and Hsieh, 2014). If an international firm's TMT has access to international information relevant to an international strategic decision, it is able to use it for decision analysis (Nielsen and Nielsen, 2011; Yli-Renko *et al.*, 2001). The availability and analysis of relevant information increases decision rationality (Dean and Sharfman, 1996). Based on the previous discussion, we hypothesize:

H3: International information acquisition (partially) mediates the relationship between TMT international experience and international strategic decision rationality

3. Methods

We collected data for this study via a survey of Pakistani international software firms (mostly SMEs) administered during summer 2014. These firms are very active internationally. Software is a rapidly growing sector with export revenues of $370.1 million in 2014 and $902.05 million in 2019 according to the State Bank of Pakistan. Our sample of software firms was drawn from lists developed and updated by the Pakistan Software Export Board (PSEB) and the Pakistan Software Houses Association (PASHA). We identified 250 international software firms based on two criteria: international sales and local ownership (not a subsidiary of a foreign firm). The survey questionnaires were either delivered by the first author or, if requested by the firm, distributed online. We visited or called each of the firms one week and three weeks later to remind them about the survey. If requested, we provided another copy of the questionnaire. We received a total of 91 completed questionnaires, collected in person or online, 7 of which we dropped due to incomplete responses. A t-test of the ages of respondent and non-respondent firms did not reveal any

significant differences between respondents and non-respondents. The survey was completed by the CEO or another senior manager directly involved in the most important foreign market entry decisions and respondents were guaranteed anonymity. The survey asked respondents to focus on their firm's most important foreign market entry decision. We chose foreign market entry decision because the international business literature recognizes this decision as one of the most important strategic decisions taken by international firms (Ellis, 2000). In addition, foreign market entry decisions are influenced by top managers' international experience (Nielsen and Nielsen, 2011). Also, it ensures that all the firms provided data on one type of strategic decision rather than information on different types of strategic decisions which could have introduced unnecessary variance due to different types of decisions. Focusing on the most important entry decision also reduces recall bias, which is a potential threat for survey-based studies. We collected data on 84 foreign market entry decisions involving 16 countries: Afghanistan, Australia, Canada, China, Denmark, Finland, France, Germany, Qatar, Saudi Arabia, Singapore, Sweden, the Netherlands, United Arab Emirates, the UK and the US. We verified information on TMT profile (main independent variable) when we collected the questionnaires from the firms. After receiving the completed questionnaires, we interviewed 16 responding top managers to check the reliability of our main dependent variable.

We followed Podsakoff *et al.*'s (2003) recommendations about how to avoid the effect of common method variance. We employed several ex-ante (procedural) and ex-post approaches to reduce the effect of common method variance. The questionnaire included a mix of factual data questions (e.g., TMT profile) and perceptual questions. The perceptual question items were based on previously developed scales; the independent and dependent variables were in different sections and on different pages and used different types of scales. The scales included reverse coded items.

We used fillers between our variables to reduce the threat of common method variance, but we, nevertheless, checked for potential common method variance in our data. We performed Harman's single factor test of our three perceptual measures. This resulted in three factors with eigen values of more than 1. The first factor accounted for only 37.77% of the variance, meaning that common method variance was not significantly affecting the analysis and results of our study.

We conducted factor analysis to check the psychometric properties of our three perceptual measures using multi -item scales: decision rationality, environmental uncertainty (control variable) and international information acquisition. Factor analysis without rotation suggests a three-factor solution with eigen values of more than 1. Further, principal component analysis with varimax rotation resulted in three factors with eigen values more than 1 and with all the items clearly loaded on the relevant factors and all the loadings in the required range. Next, we conducted Confirmatory Factor Analysis (CFA). Each item was constrained to load on the respective variable. The results of the CFA show a reasonable model fit ($\chi 2$ = 27.81; d.f. = 24; CFI = 0.988; TLI = 0.983; RMSEA = 0.043; SRMR = 0.057). All the item loadings are significant which shows convergent validity of the constructs. We used the CFA measurement model to establish discriminant validity of the constructs. The variance extracted for each construct is higher than the squared correlation between the constructs, which demonstrates convergent validity of the constructs (Fornell and Larcker, 1981; Yli-Renko *et al*., 2001). We also calculated Cronbach's alphas to check the reliability of our constructs. The Cronbach's alphas of the three perceptive measures used in this study are above the required cut-off value of 0.70. These results show that our measures have reasonable psychometric properties. We made our best effort to present and measure international information acquisition and international strategic decision rationality as two different constructs (mediator and main dependent variable) by providing clear definitions of

the constructs in the introduction to the questionnaire. Also, we used different types of scales to measure them (international information acquisition on a 4-point scale where all 4 points have labels, and rationality on a 7-point scale where only the end-points have labels). We also put them on different pages and different sections of the questionnaire, placing them with relevant contexts (rationality was in the section that asked about decision-making characteristics; international information acquisition was included in the section that asked about different sources of information for decision-making). We conducted a second CFA where we constrained the rationality and international information acquisition items within a single factor. The model fit was poor compared to our original model ($\chi 2$ = 78; d.f. = 26; CFI = 0.841; TLI = 0.780; RMSEA = 0.15; SRMR = 0.095). We conducted a third CFA where we constrained the items for all three perceptive measures to a single factor. The model fit was worse than the first two CFA models ($\chi 2$ = 132.58; d.f. = 27; CFI = 0.677; TLI = 0.569; RMSEA = 0.216; SRMR = 0.147). These results combined with other psychometric properties (PCA and Cronbach's alphas) of our perceptive constructs are further evidence that international information acquisition and international strategic decision rationality are two different constructs. They are evidence, also, that our chosen model is the most appropriate for the data.

3.1 Measures and Reliability

We used existing scales for all the measures of our study, so that the validity of measures is not an issue. Following Azam *et al.* (2018), TMT international experience is measured as the product of two variables: proportion of TMT members with IE (international education or international work experience); and experience of TMT in numbers of six continents or broader regions of the world (Asia, Africa, Europe, North America, South America and Australia). This

multidimensional construct represents the level and diversity of the TMT's international experience. The proportion of TMT members with IE ranges from zero to 1 with a mean of 0.699 and standard deviation of 0.292. TMT experience on six continents ranges from 1 to 5 (continents) with a mean of 2.738 and standard deviation of 0.983. International strategic decision rationality is measured using the four items on a seven-point Likert scale (from strongly disagree to strongly agree) (α = 0.86) taken from (Elbanna and Child, 2007a) and based on Dean and Sharfman's (1993) rationality scale. The survey asked 'to what extent did TMT follow the items below in the foreign market entry decision-making?' Sample items are 'looked for related information (regarding other options, competition, customers, the broader environment, etc.) for decision-making' and 'analysed relevant information (regarding other options, competition, customers, the broader environment, etc.) for decision-making'. International information is measured by two items (α = 0.84), adapting the knowledge sources in Foss *et al*. (2013). The survey asked firm managers to indicate on a four-point scale ("not used," "low," "medium," and "high") "to what extent TMT had searched for knowledge and information from international contacts in decision-making" and, also, on a four point scale ("not at all useful," "rarely useful," "useful," and "very useful") to indicate "to what extent knowledge and information from international contacts was useful for decision-making".

Consistent with other international business research, our control variables are TMT tenure, TMT size, local experience (host country experience), Foreign Direct Investment (FDI)/non-FDI decisions, firm's international experience, firm size, cultural distance and environmental uncertainty. TMT tenure is measured as the average tenure of TMT members up to the time of the focal decision. TMT size is measured as the number of top managers at the time of the decision. Local experience of TMT is coded 1 if top managers had prior experience in the host country and

0 otherwise. Entry mode is coded 1 for FDI decisions and 0 for non-FDI decisions. Firm's international experience is measured as the number of countries entered before the focal decision. Firm age is the number of years from the firm's foundation to the time of the focal decision and firm size is measured as the logarithm of the number of employees. Environmental uncertainty (in country of entry) is measured by three items on a seven-point Likert scale (strongly disagree to strongly agree) ($\alpha = 0.72$) following Ji and Dimitratos (2013). The survey asked managers to assess the following items related to the foreign country entered. Sample items are 'General stability of the political, social and economic conditions in the target country (reverse coded)' and 'Risk of government actions such as nationalization'.

We collected our data in Pakistan (a developing country). It is well recognized that collection of survey data is more difficult in developing countries (Hoskisson *et al*., 2000). It was not possible to collect data from multiple top managers – a problem experienced by other researchers studying developing countries (e.g., Elbanna and Child, 2007a). Since our firm data come from a single firm source and refer to a past decision, we made every effort to establish data reliability by using various data sources. The information on firm size and internationalization is cross checked with online sources such as company websites, industry websites and Linkedin. Information on TMT international experience (main independent variable) was crosschecked by referring to the responding top manager or the human resources/administration in the firm and, in some cases, by referring to Linkedin.

4. Data analysis and results

Table 1 presents the correlations, means and standard deviations of the study variables. The correlations allow some initial insights into the relationships among the study constructs. Table 1

shows that 65.5% of TMTs had prior experience in the target country. The correlations among TMT internationalization, international information acquisition and international strategic decision rationality are in the expected directions. When testing our hypotheses, we do not include age because this variable is highly correlated to TMT tenure and firm size. A high level of multicollinearity can be problematic in regression analysis. We checked for multicollinearity in our data and found no problems since the highest variance inflation factor is less than 3 which is well below the desired cut off value of 10 (Neter *et al*., 1990).

Insert Table 1 about here

We used PROCESS macro model 4 to test our mediation model. Table 2 presents the PROCESS macro regression results. PROCESS macro is widely used to estimate direct, moderating and mediating effects with related bootstrap Confidence Intervals (CIs), which avoids any issues related to potential statistical power resulting from asymmetric or non-normal sample indirect relationships distributions (Hayes, 2013; MacKinnon *et al.*, 2004).

Insert Table 2 about here

The regression results of Model 1 in Table 2 support hypothesis 2 about a positive relationship between TMT international experience and international information acquisition ($\beta = 0.187$, $p < 0.05$). The model 2 in Table 2 supports hypothesis 1, which predicts a positive relationship between TMT international experience and international strategic decision rationality ($\beta = 0.260$, $p < 0.05$). The Model 2 in Table 2 shows that international information acquisition is positively associated to international strategic decision rationality ($\beta = 0.557$, $p < 0.01$). The PROCESS macro also

provided estimate of indirect effect of TMT international experience on international strategic decision rationality through international information acquisition with bootstrapped confidence intervals (β = 0.104, 95% CI [0.016, 0.252]). This result provides support for the presence of mediation through international information acquisition. The regression results in model 2 of Table 2 show that even after controlling for international information acquisition, the relationship between TMT international experience and international strategic decision rationality is significant. In other words, even after isolating the effect of international information acquisition (indirect effect), international experience has a significant direct effect on international strategic decision rationality. Thus, we can conclude that the effect of TMT international experience on international strategic decision rationality comes from: personal international knowledge (direct) and international information acquisition (indirect).

5. Discussion

The purpose of this study was to test whether TMT international experience is associated positively to international information acquisition from managerial international contacts, that partially mediates the positive relationship between TMT international experience and international strategic decision rationality. In doing so, we tried to disentangle the effects of personal international knowledge and international information acquisition on international strategic decision rationality. Our results support our hypotheses. That is, a TMT with international exposure is capable of sourcing useful international information from managers' international contacts. Therefore, a TMT international experience has a positive effect on international strategic decisions through members' individual personal international knowledge and international information acquired from their international contacts. Our results are in line with the prior

empirical findings that top managers with international experience use their foreign contacts or ties to collect international strategic decision related information (e.g., Athanassiou and Nigh, 2002, 2019; Ellis, 2011). Our findings are in line, also, with the theoretical predictions that information gleaned from managers' foreign contacts can affect the decision-making process in international firms (Child and Hsieh, 2014; Elbanna *et al.*, 2020).

Our study contributes to the literature in two ways. First, we contribute to the still limited literature on upper echelons focusing on international experience and strategic decision-making process in the context of international firms (Clark *et al.*, 2018). We investigated the mechanisms linking TMT international experience to international strategic decision-making (i.e., rationality). This differs from the traditional upper echelons approaches, which use proxies for the different factors and their effects (Hambrick, 2007). The use of demographic variables is criticized in organizational research (Lawrence, 1997) and in upper echelons research (Priem *et al*., 1999). One criticism is that TMT characteristics (as proxies) are used to present those factors and inferences that are never tested explicitly. We addressed these criticisms and respond to calls for TMT proxy-based studies to be supported by additional investigations that explicitly test the theoretical relationships suggested by the TMT proxies (Goll and Rasheed, 2005).

Our second contribution is to work on top management teams. Much research on TMT focuses either on an internal perspective (effect of TMT characteristics on group processes, trust, cohesion, decision-making, knowledge exploitation) or an external perspective (knowledge acquisition from outside sources). Few studies combine these perspectives in the context of international firms (Hass and Banerjee, 2008). Our work is one of the few studies on international firms and international TMTs that combine an external and an internal perspective on teams. It extends our understanding of how the composition of the TMTs of international firms might affect

their capability to access useful information from outside sources, which will affect their ability to make rational strategic decisions. We contribute to the small number of studies in the international business literature, on international strategic decision making combined with use of information and the role of contacts (networks) (Child and Hsieh, 2014).

Relatedly, Levin and Barnard (2013) note that most of the international business literature on cross-border knowledge transfer is at the firm or subsidiary level (e.g., Baskici, 2019). In the specific case of SME internationalization, Elbanna and colleagues (2020) frame this issue, also, in terms of the acknowledged importance of networks for SMEs and the recognition that their role in facilitating international decisions remains unclear. We highlighted that, in the context of international firms, TMTs with international experience have personal international experience and knowledge, and access to international information from interpersonal foreign ties (micro-level perspective), which provide competitive advantage in terms of rational decision making. Therefore, we add to the scarce literature on cross border knowledge transfer and use in strategic decision making, by international firms, from an explicit micro-level perspective (Buckley et al., 2016).

In terms of practical implications, our study shows that TMT international experience can be useful for international strategic decision making, which could affect both decision and firm performance. This has implications for both the selection and training of managers for international firms. First, when selecting TMT members, international firms should pay particular attention to their international experience. Second, manager training should include a focus on both functional and international experience (e.g., allowing the possibility of working and training abroad, rotation programmes). For those firms with more constraints and which might be less well endowed and less able to devote time to training their managers abroad, which applies to many firms in Pakistan,

recruiting managers with prior international experience could be one way to overcome this scarcity of resources. International experience provides useful human and social capital, which can be critical assets for both the international firm and its top managers.

6. Limitations and Directions for Future Research

Our study has some limitations. First, it might be subject to retrospective bias since our data refer to the most important foreign market entry decisions of international firms, which might date back many years before our survey. To deal with this, we collected data on the firm's most important foreign market entry decision, expecting that respondents might not have had difficulty in recollecting decision-related information for this study. In addition, respondents were the most knowledgeable about the issue at hand. We tried to establish data reliability by conducting short interviews with 16 of the respondents.

Second, the data come from a single respondent; data collection from multiple respondents was not possible. We have discussed the difficulties related to collecting data in developing countries and these have been acknowledged in the literature (Hoskisson *et al*., 2000).

Third, we collected our data at a single point in time so cannot be sure of the direction of cause and effect relationships.

Fourth, our data refer to a single country and a single industry, which means that our results might not be generalizable to other countries and industries. However, a focus on a single country and a single industry is a reasonable choice because it helps to avoid undesired variance due to country and industry differences.

An extension of our work would be to explore the conditions or moderating variables under which a TMT might collect more or less international information and examining the risks

involved in collecting and using information on certain countries. Also, similar studies conducted in developed countries and different industries are needed to generalize the findings of this study.

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Figure I. Hypothesized relationships in the study

Table I. Descriptive statistics and correlation matrix

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1. TMT international experience	2.029	1.195	1										
2. TMT size	2.845	1.047	0.324**	1									
3. TMT tenure	2.221	2.360	0.008	0.249*	1								
4. Firm size	3.541	0.43961	0.182	0.248*	0.655**	1							
5. Firm age	2.714	2.696	-0.004	0.099	0.786**	0.731**	1						
6. Firm international experience	1.321	1.995	0.198	0.128	0.254*	0.178	0.277*	1					
7. Uncertainty	2.452	1.163	0.018	-0.004	-0.053	-0.005	-0.079	0.089	1				
8. International information	3.119	0.779	0.294**	0.075	0.202	0.297**	0.226*	0.076	-0.125	1			
9. Decision Rationality	4.881	1.312	0.402**	0.249*	0.056	0.140	0.007	0.085	0.024	0.424**	1		
10. Entry mode	0.381	0.489	0.108	-0.142	-0.060	0.176	0.056	-0.053	0.096	0.022	0.020	1	
11. Local experience	0.655	0.478	0.154	0.036	-0.140	0.125	-0.152	0.004	0.198	0.160	0.298**	0.106	1

Notes: N = 84 observations; *p < 0.05; **p < 0.01

Table II. Mediation analysis

Variables	**International information** Model 1	**Decision rationality** Model 2
constant	2.0290** (0.9479)	2.4298 (1.5153)
TMT international experience	0.1873* (0.0761)	0.2601* (0.1228)
TMT size	-0.0672 (0.0886)	0.1855 (0.1380)
TMT tenure	0.0217 (0.0599)	0.0352 (0.0930)
Firm size	0.2482 (0.3174)	-0.2266 (0.4944)
Firm age	0.0309 (0.0596)	-0.0205 (0.0927)
Firm international experience	-0.0124 (0.0441)	0.0005 (0.0685)
Uncertainty	-0.0947 (0.0721)	0.0213 (0.1131)
Entry mode	-0.0861 (0.1784)	0.0096 (0.2771)
Local experience	0.2622 (0.1878)	0.5803 (0.2952)
International information		0.5575** (0.1803)
R-squared	0.197	0.329
F-test model	2.014*	3.5759**

Notes: N = 84 observations; Standard errors in parentheses; *p < 0.05; **p < 0.01