



# Modelling the effects of institutional support and international knowledge on competitive capabilities and international performance: Evidence from an emerging economy

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## ABSTRACT

This paper explores the process through which institutional support initiatives contribute to the international performance of firms from the small open economy of Malaysia. We examine both direct and indirect causal effects of institutional support (informational, training, trade mobility and financial aid-related support) on internationalization. We develop a model to address how institutional support initiatives affect the performance of export-oriented or so-called born global firms. From a survey of 250 firms from Malaysia, an emerging Southeast Asian market, we find that government support initiatives do not have significant impacts on firm performance unless examined based on processes of government support initiatives, international knowledge, commitment, competitive capabilities, and international performance. Government support initiatives play a critical role in export-oriented firms from small open economies (SMOPECs) in emerging markets by contributing to a number of contextual deficits that determine the international performance of a firm. This study provides guidelines for policy makers and business owners on how institutional support can facilitate the accumulation of knowledge about international markets, enhance commitment to exports and help firms gain competitive capabilities in the export market for greater success in international markets.

## 1. Introduction

Internationalization contributes significantly to the economic growth of small open economies (SMOPECs) (Kahiya, 2020). SMOPECs in emerging markets share characteristics that distinguish them from advanced economies, including infrastructure limitations, less developed socioeconomic performance, and more political risks and administrative barriers that tend to affect national economic development and the performance of individual companies (Falahat et al., 2018). In addition, at the firm level, emerging market SMEs are hindered in their internationalization efforts by limited financial and knowledge resources that could help them

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