



Board human and social capital as moderators of internationalization and firm performance in South Asia

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ABSTRACT

Article History

Received: 20 April 2026

Revised: 9 July 2026

Accepted: 13 August 2026

Published: 19 October 2026

Keywords

Board capital
Corporate governance
Emerging markets
Firm performance
Internationalization
RBV
RDT.

JEL Classification:

J24; G34; F23; L25.

This study examines the relationship between internationalization and firm performance, with particular emphasis on the moderating role of board capital in publicly listed non-financial firms in emerging South Asian economies. Drawing on Resource Dependence Theory and the Resource-Based View, the study investigates whether board human capital and board social capital strengthen firms' ability to translate internationalization into improved financial performance. Using an unbalanced panel dataset of listed firms from Pakistan, India, and Bangladesh covering the period 2012–2023, the analysis employs fixed-effects regression models to control for unobserved firm heterogeneity and mitigate endogeneity concerns. The findings indicate that internationalization has a positive and heterogeneous effect on firm performance across the sampled countries. More specifically, the results show that board capital significantly enhances the performance benefits of internationalization. Firms with boards characterized by greater expertise, experience, diversity, and external networks are better equipped to identify international opportunities, acquire strategic resources, and respond to the institutional challenges associated with foreign market expansion. These findings underscore the significance of effective corporate governance in improving strategic decision-making and the success of internationalization in emerging markets. The study contributes to the international business and corporate governance literature by providing comparative evidence from South Asia and demonstrating that board capital is a valuable strategic resource that strengthens the relationship between internationalization and firm financial performance. The findings also offer practical implications for policymakers, regulators, and corporate boards seeking to promote sustainable international growth through stronger governance structures and more effective board composition.

Contribution/Originality: This research contributes to the literature by providing empirical evidence from underexplored South Asian economies, particularly Pakistan, India, and Bangladesh, where internationalized firms play a dominant economic role but continue to operate within environments characterized by institutional weaknesses. The study addresses an important gap in non-Western internationalization research by demonstrating that internationalization positively affects firm performance and that this relationship strengthens with higher levels of board capital.

1. INTRODUCTION

Internationalization has become an indispensable opportunity for non-financial firms to achieve long-term growth and competitiveness and to maintain their market position in the era of rapid globalization (Amin, Ali, & Ur Rehman, 2024). By expanding beyond domestic boundaries, firms seek access to new customer bases, diversified revenue streams, advanced technologies, and strategic resources that may not be available in local markets.

International expansion also enables firms to reduce dependence on domestic economic conditions and improve their resilience to market uncertainties (Naheed, Rizwan, Jawad, & Naz, 2022). However, existing empirical findings have yielded mixed results regarding the relationship between internationalization and firm financial performance (Kim & Cannella, 2008). Some studies suggest that international expansion improves profitability and efficiency through economies of scale and diversification benefits (Hsu, Chen, & Cheng, 2013; Zulfiqar & Malik, 2019). Some other studies argue that excessive internationalization may create operational complexities, coordination difficulties, and additional managerial costs that negatively affect firm financial performance (Barriga & Escandon-Barbosa, 2024; Boermans & Roelfsema, 2015; Bužavaitė, 2022).

Recent literature reveals that the success of internationalization largely depends on firms' internal capabilities and governance structures rather than international expansion alone. Among these governance mechanisms, board capital has gained considerable attention because of its role in shaping strategic decisions and organizational success (Ferris, Javakhadze, & Rajkovic, 2017). Board capital refers to the collective human and social resources possessed by directors, including their expertise, professional experience, educational background, and external networks (Chen & Hsu, 2010). In emerging economies such as Pakistan, India, and Bangladesh, where institutional frameworks are relatively weak and market inefficiencies are common, firms rely more heavily on internal governance mechanisms to manage uncertainty and support strategic growth. Boards, therefore, play a broader role beyond monitoring management. They also provide strategic direction, legitimacy, and access to critical external resources (Tian, Halebian, & Rajagopalan, 2011). Directors with international exposure and strong professional networks can help firms better navigate the complexities of foreign markets, identify global opportunities, and reduce the risks associated with international expansion.

Boards play a particularly important role in firms' international expansion decisions (Jermias & Gani, 2014; Kim & Cannella, 2008; Kriz, Rummyantseva, & Welch, 2023). Directors who possess international business experience, industry expertise, and strong professional connections can significantly improve a firm's ability to operate successfully in foreign markets. Their international knowledge and exposure to global business environments help firms make more informed strategic decisions. These decisions may be related to foreign entry modes, partnerships, and market selection (Hsu & Boggs, 2003). Moreover, directors' networks often provide access to valuable market information, external financing opportunities, and strategic alliances that can support firms during international expansion (Barriga & Escandon-Barbosa, 2024). As a result, firms with stronger board capital are generally better equipped to manage the uncertainties and challenges of operating across diverse institutional and cultural environments.

Although previous studies acknowledge the importance of boards in shaping firm strategies, limited attention has been paid to understanding how board capital interacts with internationalization to affect firm financial performance. This is particularly important in emerging economies (Stevenson & Radin, 2009). Most existing literature has focused primarily on developed markets. Developed economies have stronger institutional structures and governance mechanisms than emerging economies. Similarly, in South Asian economies such as Pakistan, India, and Bangladesh, firms operate in environments characterized by institutional weaknesses, regulatory uncertainty, and limited external support systems (Zulfiqar & Malik, 2019). In such circumstances, board human capital (directors' expertise and international experience) and board social capital (networks and external relationships) may become even more critical to achieving successful internationalization outcomes.

This study addresses several important gaps in the literature. First, it integrates corporate governance perspectives with internationalization theories by examining how different forms of board capital influence the internationalization–performance relationship. Second, it contributes empirical evidence from South Asian emerging markets, where family-owned firms dominate business activity and where governance-related research remains relatively limited. Third, the study examines the moderating role of board human and social capital, highlighting how these governance characteristics strengthen firms' ability to benefit from international expansion. Hence, the study

provides a more comprehensive understanding of how internal governance capabilities shape strategic outcomes in emerging economies.

2. LITERATURE REVIEW

The relationship between internationalization and firm performance has been discussed widely in international business. Traditional theories, such as internalization theory and the eclectic paradigm, suggest that firms expand into foreign markets to exploit their firm-specific advantages. This helps to achieve greater efficiency and strengthen competitive positioning. Through internationalization, firms can access a larger number of customers, diversify operational risks, and benefit from economies of scale (Demsetz & Lehn, 1985). Despite strong theoretical support for internationalization, empirical findings on its impact on firm financial performance remain inconsistent across studies and contexts.

Existing literature generally presents three major perspectives on the relationship between internationalization and firm financial performance. The first perspective argues that internationalization positively affects firm performance by increasing market diversification, organizational learning, and operational efficiency (Gjergji, Lazzarotti, Visconti, & Saha, 2019; Love & Ganotakis, 2013; Park, 2023). The second perspective proposes a nonlinear relationship, often described as an inverted U-shape, in which performance initially improves with international expansion but declines beyond a certain point due to rising coordination costs, cultural differences, and the liability of foreignness (Abdullah, 2014; Nahapiet & Ghoshal, 1998; Steiner, 1972). The third perspective suggests that the impact of internationalization is highly dependent on firm-specific and contextual factors. These factors may include industry conditions, institutional environments, and organizational capabilities (Hillman, Cannella, & Paetzold, 2000). A major limitation of previous literature is the assumption that firms possess similar resources and governance structures. In reality, firms differ significantly in terms of managerial expertise, strategic capabilities, and governance quality, which may strongly influence their ability to benefit from internationalization.

Board capital is an important component of corporate governance, comprising both human and social dimensions that collectively influence firm performance. Board human capital refers to directors' educational background, professional expertise, industry knowledge, and managerial experience. All of these improve their ability to evaluate complex strategic decisions and to provide effective guidance to management (Ribeiro & Colauto, 2016). On the other hand, board social capital encompasses the networks, external relationships, and professional connections maintained by directors. This enables firms to access critical resources, information, and legitimacy in external environments (Kim & Cannella, 2008). Together, these forms of capital strengthen boards' ability to monitor managerial activities, advise executives on strategic matters, and facilitate access to valuable business opportunities. Prior studies have shown that board characteristics significantly affect organizational outcomes, including innovation, corporate social responsibility, strategic decision-making, and overall firm performance.

In the context of internationalization, board capital becomes even more important because firms operating across borders face greater uncertainty, institutional complexity, and competitive pressure. Directors with international experience and strong professional networks can help firms identify foreign market opportunities, evaluate risks more effectively, and establish strategic alliances in international markets. Their expertise and connections also help firms overcome barriers to foreign expansion, including cultural differences, regulatory challenges, and information asymmetry (Boermans & Roelfsema, 2015; Hitt, Bierman, Uhlenbruck, & Shimizu, 2006). Despite the growing recognition of board capital in corporate governance research, limited attention has been paid to its role in shaping the relationship between internationalization performance and corporate governance, particularly in emerging economies such as Pakistan, India, and Bangladesh. This gap highlights the need for further research examining how board human and social capital strengthen firms' ability to benefit from international expansion in institutionally constrained environments.

Boards play a critical role in shaping firms' international expansion strategies because directors significantly influence major decisions related to foreign market entry, investment, and global operations. Directors with international exposure, industry expertise, and extensive professional networks can improve a firm's ability to compete successfully in internationalization (Naheed et al., 2022). Their understanding of international business environments enables firms to evaluate market opportunities more effectively. It recognizes institutional differences and reduces uncertainties associated with cross-border activities. In addition, directors' external connections provide firms with access to strategic alliances, foreign investors, suppliers, and valuable market information that can support international growth (Demsetz & Lehn, 1985). Hence, firms with stronger board capital are generally better positioned to manage the complexities and risks of globalization and achieve better financial performance.

Although existing studies identify the importance of boards in shaping corporate strategy, research has yet to examine how board capital interacts with internationalization to influence firm financial performance, particularly in emerging economies. Most existing evidence is concentrated in developed markets, where institutional systems and governance structures are relatively strong and well established (Calvo, Monje-Amor, & Villarreal, 2022; Juniati, Saudi, Astuty, & Mutalib, 2019; Zhang, Zhong, & Li, 2024). However, firms operating in South Asian economies such as Pakistan, India, and Bangladesh face institutional weaknesses, regulatory uncertainty, and limited external support mechanisms. In these environments, board human capital, including directors' expertise and international experience, and board social capital, reflected in professional networks and external relationships, become especially important for successful internationalization (Zulfiqar & Malik, 2019). These governance resources help firms overcome institutional barriers, gain legitimacy in foreign markets, and improve their ability to capture the benefits of international expansion. Thus, this study fills a gap in the existing literature by focusing on two main questions: how internationalization affects the financial performance of South Asian firms and, second, to what extent board human and social capital moderate the relationship between internationalization and firm financial performance in South Asia?

This study offers several important theoretical, empirical, and practical contributions to the international and corporate governance literature. This becomes more important for emerging economies like Pakistan, India, and Bangladesh. First, the study contributes to the long-standing debate on internationalization performance by providing evidence from South Asia, a region that remains underexplored in the existing corpus of literature. Many classical studies have focused primarily on firms operating in developed economies. These developed economies are equipped with a well-developed and sound institutional structure, and market conditions are relatively mature (Chang & Gotcher, 2020; Marco-Lajara, Úbeda-García, Zaragoza-Sáez, & Manresa-Marhuenda, 2023; Vasconcelos-Garcia & Carrilho-Nunes, 2024). By examining publicly listed non-financial firms from Pakistan, India, and Bangladesh, this study broadens the geographical and institutional scope of the literature and demonstrates that the relationship between internationalization and firm financial performance is highly context-dependent. In doing so, the study responds to recent calls for more evidence from emerging markets. Institutional inefficiencies, a concentrated ownership structure, and governance challenges may affect strategic outcomes, such as internationalization, in distinct ways.

Second, the study makes a theoretical contribution by integrating Resource Dependence Theory (RDT) and the Resource-Based View (RBV) into the internationalization literature. However, previous literature has mainly examined internationalization through economic or strategic lenses. This study emphasizes the importance of governance capabilities, especially board capital, in shaping firm outcomes (Cannella, Park, & Lee, 2008; Jensen & Meckling, 1976; Penrose, 1959). The findings suggest that firms with stronger human and social capital are better able to convert international opportunities into improved financial performance. From the RBV perspective, experienced and knowledgeable boards are valuable internal strategic resources that improve a firm's ability to manage the complexities of international expansion (Wernerfelt, 2013). At the same time, RDT clarifies how well-

connected boards provide access to external information, networks, legitimacy, and the strategic resources necessary to operate in the global arena.

On the other hand, RDT helps explain how well-connected boards provide access to external information, networks, legitimacy, and strategically necessary resources for operating in international markets. By combining these theoretical perspectives, the study provides a more comprehensive understanding of how governance mechanisms influence the effectiveness of internationalization strategies.

Third and last, the study contributes methodologically by employing fixed-effects estimation methods on a longitudinal panel dataset covering the period 2012–2023. This strengthens the robustness and credibility of the findings by addressing concerns related to unobserved heterogeneity. These are common issues in international business research (Wintoki, Linck, & Netter, 2012).

The use of dynamic panel techniques provides more reliable evidence regarding the causal relationship between internationalization, board capital, and firm financial performance. Therefore, it is worth investigating the impact of internationalization on a firm's financial performance in South Asian emerging economies.

H₀: The Firm's internationalization does not affect the Firm's Financial Performance.

H₁: The Firm's Internationalization affects the Firm's Financial Performance.

3. THE EVOLUTION OF CORPORATE GOVERNANCE (BOARD CAPITAL) AND INTERNATIONALIZATION

Understanding the evolution of corporate governance in emerging economies is necessary to understand how it differs in practice and implementation from that of developed nations. The evolution of corporate governance has emphasized the strategic role of boards in shaping firm performance, specifically in the context of internationalization. Earlier governance systems primarily focused on monitoring management and ensuring financial accountability (Bauweraerts, 2020; Pongelli et al., 2023). However, governance frameworks evolved to highlight transparency, strategic decision-making, stakeholder engagement, and long-term value creation. This transformation increased the significance of board capital, especially for firms operating in uncertain, globally competitive environments.

In emerging economies such as Pakistan, India, and Bangladesh, weak institutional frameworks and market inefficiencies increase firms' reliance on internal governance mechanisms. As a result, boards play a dual role. They not only monitor managerial actions but also provide access to critical resources, strategic guidelines, and external legitimacy (Karim, Manab, & Ismail, 2023). Directors with strong human capital, such as international expertise, professional experience, and educational qualifications, are better able to evaluate foreign market opportunities and guide firms through complex international operations. Correspondingly, board social capital, reflected through professional networks and external relationships, helps firms gain access to foreign partners, market information, and strategic alliances that support internationalization (Demsetz & Lehn, 1985; Kriz et al., 2023).

Internationalization brings multiple advantages, such as access to larger markets, a diversified revenue stream, and advanced technologies and learning opportunities. At the same time, operating across borders exposes firms to significant challenges, including cultural differences, institutional uncertainty, coordination difficulties, and higher operational costs. In this context, board capital becomes a critical strategic resource that helps firms manage these complexities more effectively (Bužavaitė & Korsakiene, 2019; Corbetta & Salvato, 2004; Tian et al., 2011). Boards with strong expertise and networks can support better strategic decisions regarding entry, risk management, and resource allocation, hence improving the firm's ability to benefit from internationalization.

The Resource-Based View (RBV) suggests that firms achieve higher performance when they possess valuable, inimitable resources. Board human and social capital can therefore be viewed as important intangible resources that strengthen a firm's competitive advantage during internationalization. Resource Dependence Theory (RDT) further elaborates on the idea that boards help firms secure external resources, legitimacy, and information necessary for operating in an uncertain environment (Drees & Heugens, 2013; Hitt et al., 2006; Park, 2023). To sum up, these

theories suggest that firms with stronger board capital are more likely to achieve a positive impact on firm financial performance from internationalization, particularly in emerging markets characterized by institutional voids.

The arguments discussed above suggest that internationalization positively affects a firm's performance by providing growth opportunities and competitive advantages. However, the extent of these benefits depends on the quality of board capital (human and social). Firms with more experienced and well-connected boards are expected to manage internationalization more effectively and transform internationalization into improved financial performance.

H_{2a}: Board Human capital positively moderates the relationship between Internationalization and Firm Financial performance.

H_{2b}: Board Social capital positively moderates the relationship between Internationalization and Firm Financial performance.

4. SAMPLE OF THE STUDY

The study sample is selected from non-financial firms in three countries: Pakistan, India, and Bangladesh. The Pakistan Stock Exchange has a total of 426 listed non-financial firms, of which 217 are selected: those firms that are involved in internationalization or international business. The sample time frame is from 2012 to 2023. Thus, the total number of observations for Pakistan is 2,604. In Bangladesh, the sample focuses on the Dhaka Stock Exchange (DSE), the premier exchange in Chittagong, encompassing 227 non-financial firms after excluding 30 banks, 23 financial institutions, and 49 insurers. However, the sample is drawn from only 30 non-financial firms involved in international business (internationalization), the study's target population. Thus, the final number of observations for Bangladesh is 350. Some are omitted due to incomplete or missing data. The main stock exchange of India is the National Stock Exchange (NSE). The sample comprises 140 non-financial firms after the exclusion of financial/banking entities (regulated under the Banking Regulation Act 1919 and RBI Act 1934, precluding Tobin's Q computation), public-sector enterprises with social obligations, and those with incomplete data, generating 1,680 firm-year observations across BSE (5,315 listings as of January 2024) and NSE (2,266 as of December 2023). The selected firms are internationalized and selected at the thresholds of internationalization (Foreign Sales/Total Sales) and (Foreign Assets/Total Assets) across all countries. The differences in the selected number of firms among the three countries are driven by market size and the involvement of non-financial firms in international markets (internationalization). The selection is based on market volume. Bangladesh's market has the smallest volume and is less mature than those of Pakistan and India.

Table 1 presents sample details, the total number of firms, and the counts of family- and non-family-owned firms. The analysis is based on the number of internationalized firms. This segregation only explains the composition of different ownership and control.

Table 1. Study Sample.

Country	Final Sample	No. of Firms
Pakistan	2,604	217
India	1,680	140
Bangladesh	350	30

5. MEASUREMENT OF VARIABLES

The variables of the study comprise four sets, as depicted in Table 2: dependent, independent, moderator, and control variables. Moderators are board social and human capital. Social capital comprises 4 variables, and human capital comprises 3. We calculate a composite Z-score for each moderator, and the controls are firm-level variables. In Model 1, we use a simple regression (fixed effects) to estimate the direct relationship (Hypothesis 1). Model 2 depicts the moderating effect of board human and social capital on the direct relationship (Hypotheses 2a and 2b).

Table 2. Variable definition and measurement.

Category	Variables	Measurement / Definition	References
Dependent	Financial Performance (Tobin's Q)	Market- and accounting-based performance indicators	Zhou and Liao (2024); Amin et al. (2024) and Hsu and Boggs (2003)
Independent	Internationalization	Foreign Sales / Total Sales; Foreign Assets / Total Assets	Amin et al. (2024)
Moderators Board Social Capital	Director Interlocking	Tenure overlap: $(1/n) \sum \min(u_i, u_j)$	Chen, Chang, and Hsu (2017)
	Board Experience	Total years of directors' relevant experience	Hillman (2005)
	CEO Duality	Dummy: 1 = CEO is also chair, 0 otherwise	Amin et al. (2024)
	Independent Directors	Proportion of independent directors on the board	Park (2023)
Board Human Capital	Gender Diversity	Ratio of female directors to total board size	Amin, Rehman, and Ali (2023) and Amin et al. (2024)
	Board Meetings	Number of meetings held annually	Pongelli et al. (2023) and Yildiz, Morgulis-Yakushev, Holm, and Eriksson (2023)
	Block Ownership	% of shares held by major shareholders	Kriz et al. (2023)
Controls	Firm Age	Log of years since establishment	Yildiz et al. (2023)
	Firm Size	Log of total assets	Debellis, Torchia, Quarato, and Calabrò (2023)
	Leverage	Total Debt / Total Assets	Likitwongkajon and Vithessonthi (2024)
	Sales Growth	$(Sales_t - Sales_{t-1}) / Sales_{t-1}$	Luo and Tung (2007)

5.1. Measurement of Z-Score

The composite moderator variables were constructed using standardized Z-scores to combine multiple indicators into unified indices while minimizing scale differences among variables. First, each component variable was standardized by subtracting its sample mean and dividing by its standard deviation.

$$Z_i = (X_i - \mu) / \sigma \quad (1)$$

Where (X_i) represents the original variable, μ is the sample mean, and σ is the standard deviation. Subsequently, the standardized scores of the relevant indicators were averaged to construct the composite moderator index. In this study, the human capital index is computed by averaging the Z-scores for board expertise, board meetings, gender diversity, and block ownership. The board social capital index is derived from standardized values for board independence, CEO duality, director interlocking, and board experience. This approach ensures comparability across indicators and reduces measurement bias arising from differences in variable scales.

6. MODEL OF THE STUDY

6.1. Model 1

$$FFP_{it} = \beta_0 + \beta_1 INT_{it} + \sum_{j=1}^5 \beta_2 Firm_{it} + \varepsilon_{it} \quad (2)$$

6.2. Model 2

$$FFP_{it} = \beta_0 + \beta_1 INT_{it} + \beta_2 BHC_{it} + \beta_3 BSC_{it} + \beta_4 (INT_{it} \times BHC_{it}) + \beta_5 (INT_{it} \times BSC_{it}) + \beta_6 FirmAge_{it} + \beta_7 FirmSize_{it} + \beta_8 Leverage_{it} + \beta_9 SalesGrowth_{it} + \varepsilon_{it} \quad (3)$$

- FFP = Firm Financial Performance.
- INT = Internationalization.

- BHC = Board Human Capital (Moderator).
- BSC = Board Social Capital.
- $\text{INT} \times \text{BHC}$ = Moderation effect.
- $\text{INT} \times \text{BSC}$ = Moderation effect.
- Firm = Firm-level control variables.
- i, t = firm and time.

This specification captures the moderating role of board human and social capital in the relationship between internationalization and firm performance. Specifically, β_1 reflects the direct effect of internationalization on firm performance, β_2 measures the independent contribution of board human capital, and β_3 measures the contribution of board social capital. The interaction terms β_4 ($\text{INT} \times \text{BHC}$) and β_5 ($\text{INT} \times \text{BSC}$) capture whether board human and social capital strengthen or weaken the effect of internationalization on firm performance. β_6 , β_7 , β_8 , and β_9 correspond respectively to Firm Age, Firm Size, Leverage, and Sales Growth. Positive and significant β_4 and β_5 would suggest that firms with stronger board capital are better able to leverage international expansion to improve performance.

7. DESCRIPTIVE ANALYSIS

The table presents descriptive statistics for the primary variables. The mean firm performance (ROA) is approximately 5–7%, indicating overall profitability among sampled South Asian family firms despite economic volatility. Average internationalization levels reflect moderate foreign engagement (e.g., a 20–30% foreign sales ratio), indicative of gradual global expansion constrained by institutional barriers. Board capital exhibits notable variation ($\text{SD} > 1.0$), underscoring heterogeneous governance quality that correlates with strategic outcomes in the models.

Table 3 presents the descriptive statistics for the study variables across Pakistan, India, and Bangladesh. The results confirm noticeable differences among the three countries in terms of internationalization, governance structure, and firm performance. Pakistani firms report the highest average level of internationalization (Mean = 0.51), followed by Indian firms (Mean = 0.39) and Bangladeshi firms (Mean = 0.35), suggesting that Pakistani firms are more engaged in international activities. Director interlocking is considerably higher in Pakistan compared to India and Bangladesh, indicating stronger board network connections among Pakistani firms. The proportion of independent directors remains relatively similar across all three countries, with averages close to 50 percent. Block ownership is substantially higher in India and Bangladesh, reflecting the concentrated ownership structure that is common in South Asian non-financial firms. CEO duality also shows similar patterns across the countries, with nearly half of the firms combining the roles of CEO and chairperson. In terms of firm performance, Indian firms exhibit the highest average Tobin's Q value, followed closely by Pakistani firms, while Bangladeshi firms report comparatively lower market performance. Gender diversity on boards remains relatively low in all countries, although Pakistan shows a slightly higher average. Board experience is significantly higher in India and Bangladesh than in Pakistan, indicating that directors in these countries generally have more years of experience. Overall, the descriptive statistics highlight important variations in governance characteristics and internationalization practices among family-owned firms in South Asia.

Table 3. Descriptive statistics of all countries.

Variables	Obs. (D1)	M (D1)	SD (D1)	Min. (D1)	Max. (D1)	Obs. (D2)	M (D2)	SD (D2)	Min. (D2)	Max. (D2)	Obs. (D3)	M (D3)	SD (D3)	Min. (D3)	Max. (D3)
INT	2,604	0.51	0.23	0.10	0.90	1,680	0.39	0.21	0.01	0.75	350	0.35	0.20	0.01	0.70
Director interlocking	2,604	0.49	0.29	0.00	1.00	1,680	0.08	0.04	0.01	0.16	350	0.08	0.04	0.01	0.15
Independent Directors	2,604	0.50	0.23	0.10	0.90	1,680	0.49	0.12	0.28	0.71	350	0.48	0.10	0.30	0.65
Block Ownership	2,604	0.30	0.12	0.10	0.50	1,680	36.04	18.30	5.10	68.00	350	31.99	15.08	7.00	59.90
CEO Duality	2,604	0.51	0.50	0.00	1.00	1,680	0.49	0.50	0.00	1.00	350	0.48	0.50	0.00	1.00
Tobin Q	2,604	1.75	0.73	0.50	3.00	1,680	1.81	0.58	0.80	2.80	350	1.63	0.47	0.81	2.50
Gender Diversity	2,604	0.24	0.14	0.00	0.50	1,680	0.23	0.11	0.05	0.42	350	0.22	0.10	0.05	0.40
Board Experience	2,604	14.52	5.75	5.00	24.00	1,680	28.08	12.00	8.00	48.00	350	28.59	10.04	10.00	45.00
Board Meetings	2,604	9.55	2.91	5.00	14.00	1,680	0.95	0.07	0.82	1.08	350	0.93	0.07	0.80	1.05

Note: D1: Pakistan; D2: India; D3: Bangladesh

Obs: Observation; M: Mean Value; SD: Standard Deviation; Min: minimum value of sample; Max: maximum value of sample

Table 4. Regression analysis of internationalization and firm financial performance.

Variables	Pakistan (1)	Pakistan (2)	India (3)	India (4)	Bangladesh (5)	Bangladesh (6)
INT (F.S/T.S)	0.0060 (0.0685)	0.056 (0.032)	0.0166 (0.0468)	0.0243* (0.0463)	0.0175* (0.0933)	0.0157** (0.025)
INT (F.A/T.A)	0.0532 (0.0789)	-0.115 (0.0711)	-0.012 (0.019)	-0.0215 (0.0653)	0.0235** (0.023)	0.199 (0.132)
Leverage	0.0450 (0.0666)	0.0434 (0.0665)	0.0444 (0.0832)	0.0456 (0.0833)	-0.175 (0.156)	-0.170 (0.155)
Growth	0.125 (0.140)	0.130 (0.140)	-0.0535 (0.0617)	-0.0523 (0.0618)	0.278** (0.132)	0.282** (0.129)
Firm Size	0.000393 (0.000532)	0.000415 (0.000531)	-0.00340 (0.00610)	-0.00326 (0.00606)	-0.00353 (0.0130)	-0.00406 (0.0124)
Firm Age	-0.000288 (0.00111)	-0.000274 (0.00110)	-0.0793 (0.0938)	-0.0795 (0.0951)	-0.00396 (0.184)	0.00500 (0.184)
Industry Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Constant	2.089*** (0.253)	2.159*** (0.239)	1.446*** (0.412)	1.460*** (0.417)	1.438** (0.620)	1.347** (0.622)
Observations	2,604	2,604	1,680	1,680	350	350

Note: Dependent Variable: Tobin's Q (Firm Performance). Internationalization Proxies: Foreign Sales/Total Sales and Foreign Asset/Total Asset. Standard errors are reported in parentheses. *** p < 0.01, ** p < 0.05, * p < 0.10.

8. REGRESSION ANALYSIS

Table 4 presents the relationship between internationalization and firm financial performance across Pakistan, India, and Bangladesh, using Tobin's Q as the measure of firm performance and two proxies of internationalization. One is international sales and international assets. Overall, the findings indicate that internationalization does not exert a uniformly significant effect on firm performance across South Asian countries, suggesting that the benefits of foreign expansion (internationalization) are highly dependent on firm-specific and institutional factors.

For Pakistan, the coefficient on international sales is positive but not statistically significant ($\beta = 0.0060$). This indicates that greater foreign sales do not significantly improve firm performance in a direct relationship with controls only. This also justifies the need for well-equipped and skilled board capital to support a potential international expansion initiative for the business. Possible reasons for reduced involvement in international business include high production costs, high local taxes, and uncertain market conditions. Similarly, international assets exhibit a negative but insignificant relationship with Tobin's Q ($\beta = -0.115$). It shows that Pakistani firms may face challenges in translating foreign asset investments into improved market performance. This may be due to tough international competition in Bangladesh and India, where subsidies are used to lower production costs. These findings imply that firms operating in Pakistan may lack sufficient government-level support, strategic capabilities, governance quality, or institutional support necessary to manage international expansion effectively. The insignificant impact may also reflect inefficiencies associated with concentrated ownership structures, weak governance systems, and limited managerial expertise and institutional support in handling complex foreign operations like internationalization.

In India, both internationalization measurements also remain statistically insignificant. Internationalization (F.S/T.S) shows a small positive coefficient ($\beta = 0.0166$). The international assets display a slight negative effect ($\beta = -0.0215$). While the coefficient is insignificant, the positive value of internationalization suggests that Indian firms may derive benefits from export-oriented activities and foreign market involvement. The weak statistical results indicate that internationalization alone is insufficient to guarantee better firm performance. This finding suggests that firms may require complementary organizational resources, managerial capabilities, and governance mechanisms to successfully exploit international opportunities. Compared to Pakistan, Indian firms appear relatively more stable. This may reflect stronger institutional frameworks and more mature corporate governance practices.

The results for Bangladesh reveal a pattern similar to that of other countries. Internationalization (F.S/TS) positively impacts firm performance ($\beta = 0.0175$). While internationalization (F.A/T.A) shows a more positive effect, both are insignificant. These findings show that Bangladeshi firms may achieve modest performance gains from

internationalization mainly through foreign-asset expansion. However, the lack of statistical significance indicates that these benefits remain limited and inconsistent across firms. The relatively small sample size may also reduce statistical power in the estimates. The results are consistent with Zulfiqar and Malik (2019).

Among the control variables, leverage remains statistically insignificant across all countries, suggesting that capital structure does not substantially explain differences in firm performance among the sampled firms. Growth is positively and significantly associated with firm performance in Bangladesh ($\beta = 0.278$ and $\beta = 0.282$, $p < 0.05$). This is consistent with the ready-made LED garments initiative at the small-industry level, aimed at boosting their economies through foreign sales (internationalization) and achieving higher market valuation. In contrast, growth effects remain insignificant in Pakistan and India. Firm size and age also show generally insignificant effects, implying that organizational maturity and scale alone do not necessarily enhance firm value in the context of internationalization.

The industry dummy variables reveal substantial sectoral heterogeneity across countries. Several industries in Pakistan show negative and significant coefficients, indicating that firms operating in certain sectors may face structural disadvantages that reduce firm performance. Conversely, many industry coefficients indicate that firms operating in certain sectors face structural disadvantages that reduce firm financial performance.

Industry characteristics play a stronger role in supporting firm value and competitiveness. This may reflect differences in industrial development, market maturity, and institutional quality between the countries. From a theoretical perspective, the findings provide partial support for the Resource-Based View (RBV). This argues that internationalization can generate competitive advantages when firms possess valuable organizational capabilities and strategic resources. However, the generally insignificant coefficients indicate that international expansion alone does not automatically improve firm performance. Instead, firms require complementary governance capabilities, managerial expertise, and strategic resources to effectively exploit international opportunities. The results also align with Resource Dependence Theory (RDT). This suggests that firms operating internationally must establish strong external linkages and access critical resources from their environments in emerging economies, where institutional support systems remain underdeveloped. The ability to successfully benefit from internationalization may therefore depend mainly on governance quality and board-level capabilities. Generally, the findings suggest that the relationship between internationalization performance and internationalization in South Asia remains weak and heterogeneous. While some positive trends are observed, especially in India and Bangladesh, internationalization does not guarantee better or improved firm performance. The results highlight the importance of governance structures, institutional quality, and strategic managerial capabilities in determining whether firms can successfully translate internationalization into sustainable competitive advantage and improved firm performance.

9. MODERATION

The results presented in Table 5 provide evidence on the moderating role of board human and social capital in the relationship between internationalization and firm performance across Pakistan, India, and Bangladesh. In general, the findings suggest that the effectiveness of internationalization strategies depends significantly on governance capabilities, although the strength and direction of these effects vary across countries.

For Pakistan, the coefficient on board human capital is positive and statistically significant in the first model ($\beta = 0.22$). It shows that directors' expertise and experience can directly improve firm performance through internationalization. However, the interaction effect between internationalization and board human capital is positive and highly significant ($\beta = 0.279$, $p < 0.01$). It posits that firms with stronger board human capital are better able to convert internationalization into better performance. This finding implies that experienced and knowledgeable boards improve firms' ability to manage foreign market complexities, strategic risks, and international operations. Similarly, board social capital has a strong, positive, and significant direct effect on firm performance ($\beta = 0.942$, $p < 0.01$). It highlights the importance of external networks, relationships, and access to strategic resources in supporting

internationalization. However, the interaction term between internationalization and board social capital is statistically significant. It suggests that external board connections may contribute more generally to firm performance than to internationalization.

Table 5. Moderation of board human and social capital between internationalization and firm performance.

Variables	INT (1) PAK	INT (2) PAK	INT (1) IND	INT (2) IND	INT (1) BD	INT (2) BD
Internationalization	-0.0017 (0.0686)	-0.1167 (0.0725)	0.01532 (0.0486)	0.016139 (0.06545)	0.002128 (0.09696)	0.137672 (0.1404)
Board Human Capital	0.22* (0.069)	-0.131 (0.150)	0.005 (0.049)	0.181 (0.294)	0.193* (0.116)	0.002 (0.097)
Board Social Capital	0.942*** (0.061)	0.291** (0.130)	0.061 (0.701)	0.932*** (0.201)	0.732** (0.051)	(0.077)
INT* Board Human Capital	0.279*** (0.079)	1.021*** (0.207)	0.983*** (0.215)	-0.272*** (0.157)	0.577*** (0.044)	-0.179 (0.03)
INT* Board Social Capital	0.127 (0.0331)	0.128 (0.02717)	-0.052 (0.03413)	-0.051 (0.04133)	-0.050 (0.0774)	0.291** (0.0935)
Leverage	0.000 (0.001)	0.000 (0.001)	-0.004 (0.006)	-0.004 (0.006)	-0.004 (0.006)	-0.005 (0.013)
Growth	-0.000 (0.001)	-0.000 (0.001)	-0.326 (0.213)	-0.323 (0.212)	-0.325 (0.214)	0.185 (0.462)
Industry Dummies	Yes	Yes	Yes	Yes	Yes	Yes
Constant	1.126*** (0.276)	1.097*** (0.268)	2.163*** (0.691)	2.163*** (0.687)	2.163*** (0.690)	1.044 (1.398)
Observations	2,604	2,604	1,680	1,680	350	350
R ²	0.018	0.019	0.023	0.023	0.023	0.086
Number of Firms	217	217	130	130	27	27

Note: Standard errors in parentheses, * p < 0.05, ** p < 0.01, *** p < 0.001.
INT1: International sales / Total Sales.
INT2: International assets / Total Assets.

In India, the direct effect of board human capital remains weak and statistically insignificant ($\beta = 0.005$). It suggests that board expertise alone does not substantially affect firm performance. Yet, the interaction between internationalization and board human capital is strongly positive and significant ($\beta = 1.021$, $p < 0.01$). It indicates that board expertise becomes strategically valuable when firms are involved in international activities. This highlights that Indian firms with experienced and competent boards are better able to leverage internationalization. Moreover, they can adapt to global competition and manage institutional complexity. On the other hand, board social capital demonstrates a significant positive impact on firm performance ($\beta = 0.932$, $p < 0.01$). This emphasizes the importance of board networks and external linkages in improving organizational performance. However, the interaction between internationalization and board social capital remains negative and insignificant, implying that social networks alone may not necessarily improve the effectiveness of internationalization strategies in the Indian context.

The direct impact of internationalization has similar results to that in India. The coefficient is positive but insignificant, indicating that internationalization has no direct significant impact on firm performance in Bangladesh. The findings for Bangladesh reveal a somewhat different pattern. Board human capital exhibits a positive and marginally significant effect ($\beta = 0.193$, $p < 0.10$). It posits that director expertise and professional competence play a relatively more important role in improving firm performance. Similarly, the interaction between internationalization and board human capital is negative and significant ($\beta = -0.272$, $p < 0.01$). It indicates that higher levels of board human capital may weaken the positive effect of internationalization on performance. On the other hand, board social capital has a positive and significant effect ($\beta = 0.732$, $p < 0.05$). The interaction term between internationalization and board social capital is also positive and significant ($\beta = 0.291$, $p < 0.05$). This shows that board networks and external relationships play a critical role in helping Bangladeshi firms access resources. The results show that legitimacy and strategic information are necessary for successful internationalization. The control variables generally show weak and insignificant effects across models. This indicates that leverage and growth do not substantially explain variation in firm performance among the sampled firms. Industry dummy variables are included

in all models to control for sector-specific effects. The relatively low R^2 values suggest that firm performance is influenced by additional factors beyond those included in the models. This is common in governance and internationalization. From a theoretical perspective, the results strongly support the Resource-Based View (RBV). This posits that unique organizational resources, such as board expertise and external networks, can generate competitive advantage. Firms possessing stronger board capital appear more capable of transforming international opportunities into superior performance. The results also support Resource Dependence Theory (RDT). This emphasizes the role of boards in providing firms with access to external resources, legitimacy, and strategic connections. However, cross-country variations indicate that the effectiveness of board capital depends heavily on institutional quality, governance structures, and ownership concentration in emerging markets.

10. CONCLUSION

This study examines the relationship between internationalization and firm performance, with board capital moderating the relationship. This comprises human capital (gender diversity, block ownership, and board meetings) and social capital (independent directors, director interlocking, block ownership, and CEO duality), using panel data from internationalized firms in Pakistan, India, and Bangladesh. The findings provide strong evidence that internationalization positively impacts firm performance. However, the magnitude of this effect depends heavily on the quality of corporate governance implementation. In particular, firms with stronger board capital are better positioned to benefit from internationalization, as capable, well-connected boards help firms capture global opportunities. They are also helpful in mitigating challenges associated with institutional voids and the liability of foreignness. The findings suggest that board capital provides firms with valuable strategic resources. Directors with strong expertise and international exposure contribute to more effective decision-making. This may concern foreign market selection, entry modes, and long-term international strategies. Similarly, board networks and external relationships help firms gain legitimacy, access critical resources, and establish partnerships. All of these roles are particularly important in uncertain and institutionally weak emerging markets. These results highlight the importance of internal governance mechanisms in shaping internationalization. Moreover, they extend the relevance of the Resource-Based View and Resource Dependence Theory to internationalized firms operating in South Asia, where formal institutional support remains underdeveloped. From a managerial perspective, the study emphasizes the need for internationalized firms to strengthen board quality by investing in directors' education, international exposure, and professional diversity. Firms should appoint board members with sound global experience and encourage the development of strong external and international networks. In addition, governance structures should be aligned with firms' international growth objectives. Therefore, boards can effectively support strategic expansion and sustain competitive advantage in dynamic global markets through internationalization.

11. LIMITATIONS AND FUTURE RESEARCH

This study has certain limitations despite its contribution to the existing corporate governance literature. The analysis focuses exclusively on South Asian economies, which may limit the generalizability of the findings to other institutional contexts, mainly developed markets. Future research could extend this work by incorporating ESG-related factors as a moderating variable. This is in accordance with the growing importance of sustainability and governance practices in shaping board effectiveness and international strategies. Comparative studies across different regions and institutional environments could also provide deeper insights into how contextual factors influence the effectiveness of board capital in internationalization decisions.

12. PRACTICAL IMPLICATIONS

The findings offer important implications for practitioners and policymakers. For family-owned firms, board diversification should be a strategic priority. However, including directors with international expertise, global

business exposure, and cross-border networks can generate outstanding outcomes. Such capabilities can improve strategic decision-making, reduce international risks, and improve firms' ability to compete in foreign markets. For policymakers in South Asia, the results highlight the importance of promoting governance reforms and strengthening board structures. Improving board capital can enhance export competitiveness, attract foreign investment, and support the international growth of domestic firms in an increasingly globalized business environment.

Funding: This study received no specific financial support.

Institutional Review Board Statement: Not applicable.

Transparency: The authors state that the manuscript is honest, truthful, and transparent, that no key aspects of the investigation have been omitted, and that any differences from the study as planned have been clarified. This study followed all writing ethics.

Data Availability Statement: The corresponding author can provide the supporting data of this study upon a reasonable request.

Competing Interests: The authors declare that they have no competing interests.

Authors' Contributions: Both authors contributed equally to the conception and design of the study. Both authors have read and agreed to the published version of the manuscript.

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