

THE INTERNATIONALIZATION AND GROWTH OF SMEs

We examine the individual and joint effects of two internationalization strategies, exporting and foreign direct investment (FDI), on the growth of small and medium-sized enterprises (SMEs). Using a sample of 164 Japanese SMEs, we find that FDI activity is a more effective growth strategy for SMEs than exporting. However, exporting activity has a positive moderating effect on the relationship between an SME's FDI activity and firm growth. A strategy of high exporting concurrent with high FDI leads to higher rates of firm growth. Finally, we find that an SME's age when it starts to internationalize has a negative moderating impact on the relationship between internationalization and firm growth. Early internationalizers achieve higher rates of firm growth from internationalization activities than late internationalizers.

Introduction

As part of their growth strategy, many firms choose to expand their geographic scope from domestic to foreign markets. International expansion is an especially important decision for small and medium-sized enterprises (SMEs) who traditionally have a small financial base, a domestic focus and a limited geographic scope (Barringer & Greening, 1998). The importance of such expansion for SMEs is reflected in their increasingly active role in international markets (Oviatt & McDougall, 1999). Not surprisingly, a number of recent studies have looked at the antecedents and the process of SMEs' internationalization (e.g., Special Issues in *Entrepreneurship Theory and Practice*, 1996 and *Academy of Management Journal*, 2000). These studies have provided a good "mapping" of this phenomenon, but the performance implications of this strategy to SMEs remain under-explored (McDougall & Oviatt, 1996).

Performance itself is somewhat of a "black box", given the multiple motivations and goals that might accompany an internationalization strategy. Even so, two of the most common goals attributed to international expansion are achieving firm growth and improving a firm's profitability (McDougall & Oviatt, 1996). In an examination of the relationship between an SMEs' internationalization strategy and its financial performance, Lu and Beamish (2001) found differential influences for firm exporting and FDI, which are the two dominant strategies. We contend, however, for SMEs, firm growth could be an even more important issue than firm profitability. More importantly, the antecedents of improved firm growth might differ from those for improving an SMEs' financial performance. We directly test such a contention by exploring the growth implications of various internationalization strategies of SMEs.

As we have already alluded to, internationalization is a multidimensional construct (Sullivan, 1994). Two of the most prominent avenues of internationalization are exporting and FDI. Previous literature has generally focused on one or the other of these internationalization strategies without considering the differential impacts that these two internationalization activities could have on an SMEs' achievement of its goals, whether it be growth or financial performance. We connect the individual and joint influences of exporting and FDI on SMEs growth by bridging concepts and theory drawn from the entrepreneurship, strategy, international business literatures because our research question is at the intersection of these literatures. As well, we

explore the moderating influence an SMEs' age at the time of its internationalization has on the relationship between the internationalization strategies employed by an SME and its growth.

Internationalization and Firm Growth

The increasing importance of SMEs in international markets has led to substantial research on the internationalization of SMEs, especially among entrepreneurship researchers. Although there are numerous studies on the internationalization of SMEs in the field of entrepreneurship, the focus has been largely on SME export activities such as the antecedents and the process of exporting, and export performance (for a review, see Shoham, 1998). More recently, entrepreneurship researchers have extended their investigation beyond exporting to other modes of internationalization such as foreign direct investment (for a review, see Coviello & McAuley, 1999). However, sparse attention has been paid to the performance implications of either internationalization strategy (McDougall & Oviatt, 1996; Coviello & McAuley, 1999).

In contrast to the lack of research on the performance implications of internationalization strategies in the entrepreneurship literature, researchers in international business and strategic management areas have routinely explored if and how international diversification influences firm performance. Most of these empirical studies, however, have been focused on large, well-internationalized firms, not on SMEs (McDougall & Oviatt, 1996; Dana, Etemad & Wright, 1999). The empirical findings on the relationships between internationalization and firm performance based on samples of large firms do not necessarily apply to SMEs because it has been well argued and documented that smaller businesses and larger businesses are different species (Shuman & Seeger, 1986). Compared to large firms, SMEs have significant differences in ownership, resources, organizational structures and processes, as well as management systems (Smith, Gannon, Grimm & Mitchell, 1988; Carrier, 1994).

Further, most of the studies on firm performance have tended to focus on firm profitability. Firm performance is a multi-dimensional construct (Delios & Beamish, 2001) and a strategy could well have differential effects on different dimensions of firm performance. Firm growth is an important dimension of firm performance, especially for SMEs, and it is important to understand the influence that internationalization has on the growth of SMEs.

Exporting and firm growth

Exporting has been extensively employed by firms as a growth strategy. By selling directly or through sales agents to clients in new geographic markets, a firm broadens its consumer base and can potentially achieve a higher sales volume. In turn, a higher sales volume provides the possibility of a higher production volume and expansion in production capacities to meet the market demands.

Export is an especially popular means of firm growth for SMEs. Compared to foreign direct investment, exporting is a relatively easy and fast way to enter foreign markets with low commitment and low risk. In exporting, an SME does not have to make substantial resource commitments to a foreign market as it does when making a foreign investment. Exporting is also an easier strategy to implement because an SME does not have to deal with the complexities of establishing a foreign subsidiary. Further, exporting also provides a faster access to a foreign market because an SME can use its existing production facilities to serve its foreign markets rather than building a new one in a foreign market. At the same time, exporting is a less risky strategy because an SME can easily withdraw from a foreign market when there is political instability and/or fluctuating market conditions. Finally, exporting provides an SME with more flexibility than FDI. An SME can more easily change its geographic scope by adjusting the export volume in different target foreign markets. Taken together, we expect exporting to have a positive impact on the growth of SMEs.

Hypothesis 1: An SME's growth is positively related to its level of exporting.

Foreign direct investment and firm growth

Foreign direct investment is another important growth strategy. Although exporting has various potential advantages over FDI as a means to enter foreign markets, there are several disadvantages associated with it. For certain products such as soft drinks, the volume to value ratio is high and transportation costs can be significant in exporting these products. Exporting is also subject to imperfections in trade regimes across host countries. The institution of various tariff and non-tariff barriers by host country governments can dramatically influence the net benefits achieved from an exporting strategy. Further, exporting is subject to distributor opportunism as the interests of foreign sales agents do not necessarily align with that of the internationalizing firms. Depending on how a firm evaluates the relative impact of the scenarios above, foreign direct investment can be a better way to achieve firm growth.

More importantly, an internationalizing firm is usually at a disadvantage in competition with local firms. To offset this “liability of foreignness” (Hymer, 1976), an internationalizing firm has to hold certain competitive advantages (such as brand equity, trademarks or patents) to be successful in foreign markets. Because a firm’s competitive advantage is often in the form of intangible, proprietary assets, the use of exporting as an internationalization strategy can expose a firm to the risks of asset appropriation and the subsequent devaluation of its intangible assets. When faced with this risk, FDI becomes a more attractive means of internationalization. By establishing subsidiaries in foreign markets and internalizing markets for proprietary asset exchange, FDI enables firms to minimize transaction-related risks and enjoy various internationalization benefits at the same time (Hennart, 1982; Rugman, 1982).

In addition to the above internalization benefits and internationalization benefits, FDI in diversified locations can contribute to the development of new knowledge and capabilities by providing access to various location-based advantages (Kogut, 1985). This potential to promote organizational learning in diverse international markets and enhance a firm’s international competitiveness has been increasingly recognized as a key benefit of FDI (Shan & Song, 1997; Porter, 1990; Zahra, Ireland & Hitt, 2000).

The above comparison between exporting and FDI suggests that FDI can also be a potentially effective growth strategy for SMEs. Similar to exporting, FDI broadens a firm’s customer bases through entering into new markets, enables the firm to achieve a larger volume of production, and grow. What is unique to FDI is, however, is that FDI is associated with exploitation and exploration benefits which leads to sustainable growth of firm. Taken together, FDI is an important avenue for the growth of SMEs.

Hypothesis 2: An SME's growth is positively related to its level of FDI.

Interaction effects of export and foreign direct investment

Even though FDI and exporting are two distinct internationalization modes, they are not mutually exclusive. Indeed an SME often employs both internationalization strategies in entering into foreign markets. In line with this, the joint influence of these internationalization strategies needs to be considered when looking at the growth of SMEs.

By definition, an SME faces constraints in resources and capabilities, which makes it difficult to make foreign direct investments (Johanson & Vahlne, 1977; Zahra, Neubaum & Huse, 1997). As a result, most SMEs start their international diversification with exporting. Exporting can help an SME to quickly boost sales volume and expand. As an SME grows, it increases its stock of resources and initial resource constraints are alleviated. Exporting can be a part of this as it helps to build the capital resources necessary for making foreign direct investments.

Further, many SMEs have limited international experience and exporting is an important way to gain international experience. In the process of exporting activities, SMEs gain exposure to various foreign markets and gradually build their networks with local clients. In this way, SMEs gain experience in international markets and develop the capabilities needed to implement more comprehensive and more risky internationalization strategies such as foreign direct investment. Therefore, exporting is considered to be a valuable means of learning in international markets. With international experience gained through exporting, an internationalizing firm can avoid many mistakes in foreign direct investment and achieve better performance (Sullivan & Bauerschmidt, 1990; Erminio & Rugman, 1996). Combining the above, exporting helps SMEs to develop capabilities needed for success in making foreign investment and should have a positive moderating impact on the relationship between FDI and firm growth.

Hypothesis 3. Exporting activities will exert a positive moderating effect on the relationship between FDI and firm growth.

Moderating effects of firm age at the time of internationalization

While internationalization holds much potential for the growth of SMEs, the implementation of such strategies can pose unique challenges to SMEs. The dissimilarities between international markets and domestic markets often make the knowledge and capabilities that SMEs developed for domestic markets not directly applicable to international markets. SMEs need to depart from the existing routines and practices developed in their original markets and develop new knowledge about foreign markets and learn local practices.

Departure from existing practices can be difficult because of the path dependence in the development of organization routines and practices. Once routines or practices are established, they are taken for granted and applied automatically in subsequent operations (Zucker, 1977). Such organizational inertia can be barriers to organizational learning which is essential for the success of internationalization. An internationalizing firm must unlearn old routines and practices before new routines and practices can be learned and established (Barkema & Vermeulen, 1998; Autio, Sapienza & Almeida, 2000).

Organizational inertia is often a function of firm age. The older a firm, the more established the routines and practices, and the higher the level of organizational inertia (Hannan & Freeman, 1984). This logic suggests that, from an organizational learning perspective, it is important for SMEs to internationalize as soon as they are ready rather than waiting for an unnecessarily longer period of time. In this way, SMEs face a lower threshold of organizational inertia, can make an easier departure from existing practices and learn more quickly in international markets. Fast learning in international environments can eventually lead to faster firm growth (Autio, et al. 2000). Therefore, we expect that SMEs who internationalize at a younger age can achieve higher growth rates than SMEs who internationalize at an older age.

Hypothesis 4. An SME's age at internationalization has a negative moderating effect on the internationalization and firm growth relationship.

Methodology

Consistent with other studies on SMEs in the entrepreneurship literature (e.g. Beamish 1999; Wolff & Pett, 2000), this study employs the definition of SMEs provided by the American Small Business Administration (SBA): stand-alone enterprises with fewer than 500 employees. Following the SBA's definition of an SME, we collected data on all Japanese SMEs listed on the Tokyo stock exchange in 1999.

We collected data primarily from two sources. The corporate-level accounting and performance information was from the Nikkei NEEDS tapes. It is an electronic database that provides information on the corporate performance, and other financial indicators, of all publicly listed Japanese firms. The FDI information was from Japanese Overseas Investments, a directory of Japanese foreign investment published annually by Toyo Keizai Inc. The coverage of this directory is close to the population of overseas subsidiaries of major listed and non-listed Japanese firms. For this study, we used the 1986, 1989, 1992, 1994, 1997 and 1999 editions of Japanese Overseas Investment to construct a 12-year (1986-1997) panel of data. After matching the parent information with FDI information of the list of Japanese SMEs, we have a sample of 164 Japanese SMEs which represented 7.5 percent of all firms listed on the Tokyo stock exchange.

Variables

Parent firm annual growth is the dependent variable for all models. We used two measures to capture the growth of Japanese firms in different dimensions. We computed annual growth rate of net sales and total assets for each firm.

The main independent variables are the level of exporting activity, the level of FDI activity and firm age at the time of internationalization. We measured the level of exporting activities through export intensity, the percent of parent firm sales that were derived from export revenues. We developed two measures to gauge the magnitude of FDI activities, both of which were counts. The first count was the number of FDIs in which the parent firm had a ten percent or greater equity share. The second count was the number of countries in which the firm had FDIs. We operationalized firm age at the time of internationalization as the differences between a firm's foundation year and the foundation year of its first FDI.

We included a number of control variables. We had two measures to account for the proprietary content of an SME's assets. The first gauged the level of propriety content in technological assets (R&D as percent of sales), and the second in marketing assets (advertising as percent of sales).

We next calculated two control variables for the characteristics of the SMEs. These were the size of the SME (log of net sales and total assets for corresponding dependent variables) and product diversification of the SME (a herfindahl measure). Our final control was a set of industry dummies based on 2-digit industry codes.

After deleting cases with missing values, our final sample comprises 1,754 observations for 164 SMEs over the 1986-1996 period. For hypothesis 4, the sample size was reduced to 94 firms (1,005 observations) because of missing information on the foundation year. We used General Linear Square (GLS) Random-Effects models to test all the hypotheses.

Results

We tested the four hypotheses using two sets of seven regressions: one for sales growth and the other for asset growth. Results displayed in Tables 1 and 2. All models were significant and each had reasonable explanatory power. Further, the results for the two dependent variables were qualitatively similar, with the effects more prominent for the sales growth.

The first model in Tables 1 and 2 is the base-line model which only includes the four control variables and the set of industry dummies. Model 2 in Tables 1 and 2 tested hypothesis 1 which predicts that exporting is positively related to firm growth. Consistent with the prediction in hypothesis 1, the exporting measure had a positive ($p < 0.01$) relationship to firm growth. Model 3 tested hypothesis 2 which predicts a positive relationship between the level of FDI activity and firm growth. As shown in Model 3 in both tables, the positive sign on the number of

host countries term ($p < 0.01$) provide support for this hypothesis. Models 4 entered both exporting measure and FDI measure in the same model to test the comparative effects of these two internationalization strategies. The signs on either term did not change. However, the significance level of the exporting term decreased in the presence of FDI term, suggesting that the level of FDI activities has a stronger impact on firm growth than exporting activities.

Hypothesis 3 makes prediction about a positive moderating impact that the level of exporting activities has on the relationship between FDI and firm growth. Model 5 in Tables 1 and 2 tested this hypothesis by entering an interaction term between the extents of exporting and FDI activities. To guard against spurious significance of the interaction result, we checked whether the overall change in Model 5's model fit was significant, compared to Model 4, the baseline model, after the inclusion of the interaction term. As can be seen from the model indices, the improvement in model fit (change in chi-square) was significant at $p < 0.01$, indicating that the interaction term significantly improved model fit. As expected given the improvement in the model, the interaction term in Model 5 was significant ($p < 0.01$ in Table 1 and $p < 0.1$ in Table 1) and positively signed as predicted. The positive sign indicates that a high export intensity exerted a positive influence on the growth impact of FDI activities. Finally, hypothesis 4 predicts that firm age at the time of initial internationalization has a negative moderating impact on the relationship between internationalization and firm growth. Models 6 and 7 in Tables 1 and 2 tested this hypothesis with Models 6 as the baseline model and Models 7 adding the interaction term between firm age when making first FDI and number of host countries. As with the test on hypothesis 3, we checked whether the overall change in model fit between Models 6 and 7 was significant. The model indices show that the change in chi-square was significant at $p < 0.01$ in Table 1, suggesting that the inclusion of the interaction term significantly improved model fit.

However, the change in chi-square was not significant in Table 2. Consistent with the significance level of the changes in chi-square, the interaction term in Model 7 of Table 1 was significant ($p < 0.01$ or less) and the interaction term in Model 7 of Table 2 was not significant. The interaction terms were negatively signed as predicted, indicating that the older an SME was when making its first FDI, the less sales growth it would achieve from its FDI activities.

Discussion

In this paper, we attempted to examine the effectiveness of internationalization, an important growth strategy for SMEs. To that end, we explored the individual impacts as well as the joint effects of two internationalization strategies, exporting and FDI, on firm growth in a sample of internationalizing small and medium-sized Japanese firms. Further, we examined how firm age at the time of internationalizing has an impact on firm growth.

We found that both exporting and FDI had positive individual impacts on firm growth, as measured by sales growth and asset growth. Interestingly, when we regressed the effects of exporting and FDI simultaneously on firm growth, exporting had much less significant impact on firm growth as compared to FDI. Our findings suggest that while both exporting and FDI contribute to firm growth, FDI seems to be a more effective growth strategy than exporting. The persistent positive effects that FDI has on firm growth are consistent with the intrinsic value of FDI and suggest the importance of FDI as a growth strategy.

Further, we explored whether the configuration of exporting activities and FDI activities had an impact on firm growth and found that export intensity had a positive moderating impact on the relationship between FDI and firm growth. To have a better understanding of the interaction effects between exporting and FDI, we constructed Figure 1 based on the results of Model 5 in Table 2 (see the last page). We observe two patterns from Figure 1. First, there are overall trends towards higher sales growth as the number of FDI countries increases, despite different levels of export intensity. This general pattern provides further support to our hypothesis 2 which predicts a positive relationship between FDI and firm growth and demonstrates the intrinsic value of FDI

as a growth strategy for SMEs. Second, we observe that as the extent of FDI increases, SMEs with higher export intensity experience higher growth rates, suggesting that a high export intensity coupled with a greater extent of FDI resulted in higher rates of firm growth. It is noted that our findings are contradictory to those by Lu and Beamish (2001). Using firm profitability as dependent variables, they found that exporting had a negative moderating impact on the relationship between FDI and SMEs' profitability. The contrasting findings between the two studies are important because they actually reveal the differing effects that the same strategy could have on different dimensions of firm performance. It confirms that firm performance is a multi-dimensional construct and researchers should treat different dimensions separately in their studies. The contrasting moderating effects that exporting had on the relationships between FDI and firm growth and between FDI and firm profitability indicate that while the configuration of a high export intensity and a high extent of FDI can be an effective growth strategy, it might have downside implications for firm profitability. When formulating internationalization strategy, SMEs should pay special attention to the configuration strategy of exporting and FDI. They should be aware of the pros and cons of different configuration strategies for different organizational objectives and make the choice that helps to achieve the most important objective.

Last, we found that firm age when making first FDIs had a negative moderating impact on the relationship between FDI and sales growth. Again, we used a plot to facilitate the interpretation of the moderating impact of firm age when making first FDI. Figure 2 was constructed according to the results reported in Model 7 of Table 2 with mean firm age at internationalization as medium age (35.63 years) and one standard deviation away from the mean age as young age (18.69 years) and old age (52.57 years). As with Figure 1, there is a general trend of positive relationship between FDI and sales growth. Within this positive general trend, however, there are significant differences in sales growth rates between early internationalizers (firms who made first FDIs comparatively soon after the founding of the firms) and late internationalizers (firms who waited a comparatively longer period of time to make first FDIs).

In general, early internationalizers' FDI activities lead to higher sales growth than those of late internationalizers, supporting Autio and colleagues' proposition of "learning advantage of newness". At the same time, we also observe in Figure 2 that at the very beginning of internationalization (up to 2 FDI countries), early internationalizers do not experience as high sales growth as late internationalizers. This observation provides evidence for the "liability of newness" (Stinchcombe, 1965) that is faced by young firms. Taken together, we find that SMEs who initiate the internationalization process at young ages might not be able to achieve high growth rates at the very beginning of their internationalization because of the typical disadvantages associated with young firms. However, internationalizing at young ages allows SMEs to learn faster in international markets without the burden of established organization routines and practices of those older firms. This "learning advantage of newness" will eventually help SMEs who internationalize at young ages quickly develop knowledge and capabilities suited to the host countries and achieve fast firm growth.

Conclusion

Our study has made several contributions to the entrepreneurship, strategy and internationalization literatures. First, we directly examined the relative effectiveness of two internationalization strategies, exporting and FDI, on the growth of SMEs. While exporting and FDI both contribute to firm growth, FDI is a more effective growth strategy in international markets than exporting, at least for the time period of our study. The implication is that SMEs should not curtail internationalization activities at the export stage, but explore opportunities to make FDIs to benefit from the greater growth potential associated with such investments.

Second, this study highlights the importance of the configuration of internationalization activities. The significant effects of configuration strategy on the growth SMEs demonstrate that the impact of one internationalization mode is not in isolation from the other. The employment of

configuration strategy of high levels of exporting activities and FDI activities could lead to higher firm growth. While our findings illustrate the importance of the configuration strategy, they do not necessarily suggest that all SMEs should use a combination of high export levels and extensive FDI activities in their internationalization. As found by Lu and Beamish (2001), such configuration strategy might escalate coordination costs and depress firm profitability. Therefore, SMEs should analyze the advantages and disadvantages of various configuration strategies and choose the optimal combination according to their organizational goals.

Finally, this study reveals the “learning advantage of newness” for SMEs who internationalize at comparatively young ages. The negative moderating effects of firm age at the time of internationalization on the relationship between internationalization and firm growth suggest that early internationalizers could achieve higher rates of firm growth than late internationalizers. Therefore, once ready, SMEs should not wait long to start the internationalization process. The sooner the internationalization, the easier the learning in the international environments, the faster the firm growth.

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Table 1: Regressions of Sales Growth on Export and FDI: 1986 - 1996^{a,b}

Independent Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
1. Intercept	2.355*** (13.801)	2.388*** (13.994)	2.701*** (15.250)	3.466*** (12.442)	2.693*** (15.334)	3.528*** (12.922)	3.220*** (11.902)
2. R&D intensity	0.178 (0.036)	-0.265 (-0.535)	-0.375 (-0.774)	-0.513 (-1.042)	-0.413 (-0.845)	-1.337** (-2.008)	-1.276** (-1.967)
3. Advertising intensity	0.547 (1.089)	0.618 (1.238)	0.642 (1.300)	0.679 (1.375)	0.725 (1.484)	1.500* (1.728)	1.445* (1.717)
4. Product diversity	0.010 (0.159)	0.028 (0.444)	0.014 (0.231)	0.025 (0.390)	0.032 (0.507)	-0.057 (-0.519)	-0.071 (-0.664)
5. Net sales (log)	-0.220*** (-14.221)	-0.225*** (-14.433)	-0.257*** (-15.700)	-0.259*** (-15.770)	-0.256*** (-15.767)	-0.321*** (-13.356)	-0.314*** (-13.323)
6. Export intensity		0.162*** (2.819)		0.090 (1.547)	-0.016 (-0.231)	0.113 (1.559)	0.049 (0.641)
7. Number of host countries			0.040*** (6.509)	0.038*** (6.056)	0.027*** (3.685)	0.036*** (4.428)	0.139*** (3.934)
8. Firm age when making first FDI						-0.011 (-0.391)	0.058 (1.586)
9. Export intensity * Number of host countries					0.044*** (2.550)		
10. Number of host countries * Firm age when making first FDI							-0.030*** (-3.033)
Model Indices							
No of cases	1,754	1,754	1,754	1,754	1,754	1,005	1,005
R-square	0.103	0.107	0.124	0.125	0.128	0.144	0.153
Wald chi-square	214.90***	221.35***	260.32***	262.62***	265.74***	191.53***	194.17***

Table 2: Regressions of Assets Growth on Export and FDI: 1986 - 1996^{a,b}

Independent Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
1. Intercept	0.826*** (7.689)	0.841*** (7.891)	0.977*** (8.446)	0.980*** (8.467)	0.992*** (8.571)	1.478*** (7.603)	1.444*** (7.310)
2. R&D intensity	0.567 (1.580)	0.455 (1.252)	0.496 (1.385)	0.431 (1.185)	0.486 (1.335)	0.098 (0.187)	0.129 (0.245)
3. Advertising intensity	-0.149 (-0.406)	-0.117 (-0.320)	-0.116 (-0.319)	-0.099 (-0.272)	-0.070 (-0.192)	-0.315 (-0.470)	-0.313 (-0.465)
4. Product diversity	-0.058 (-1.250)	-0.050 (-1.087)	-0.060 (-1.305)	-0.055 (-1.195)	-0.051 (-1.112)	-0.104 (-1.215)	-0.114 (-1.324)
5. Total assets (log)	-0.071*** (-7.151)	-0.073*** (-7.318)	-0.087*** (-7.957)	-0.088*** (-8.005)	-0.089*** (-8.098)	-0.118*** (-6.794)	-0.125*** (-6.983)
6. Export intensity		0.073*** (1.729)		0.045 (1.042)	-0.010 (-0.196)	0.050 (0.847)	0.018 (0.297)
7. Number of host countries			0.016*** (3.463)	0.015*** (3.178)	0.010* (1.783)	0.013** (1.995)	0.057* (1.908)
8. Firm age when making first FDI						-0.032 (-1.440)	-0.003 (-0.097)
9. Export intensity * Number of host countries					0.023* (1.762)		
10. Number of host countries * Firm age when making first FDI							-0.012 (-1.494)
Model Indices							
No of cases	1,754	1,754	1,754	1,754	1,754	1,005	1,005
R-square	0.042	0.044	0.049	0.050	0.051	0.066	0.068
Wald chi-square	76.51***	79.49***	88.95***	90.04***	93.23***	68.91***	71.24***

^a Dummy variables for industry are included in the models, but not shown in the table.

^b Upper number in a cell is a parameter estimate, numbers in the parentheses are *t*-statistics; *** $p < 0.01$; ** $p < 0.05$; * $p < 0.10$ (all two-tailed tests).

Figure 1

**Moderating Effect of Export Intensity on the Relationship
Between Number of FDI Countries and Sales Growth**

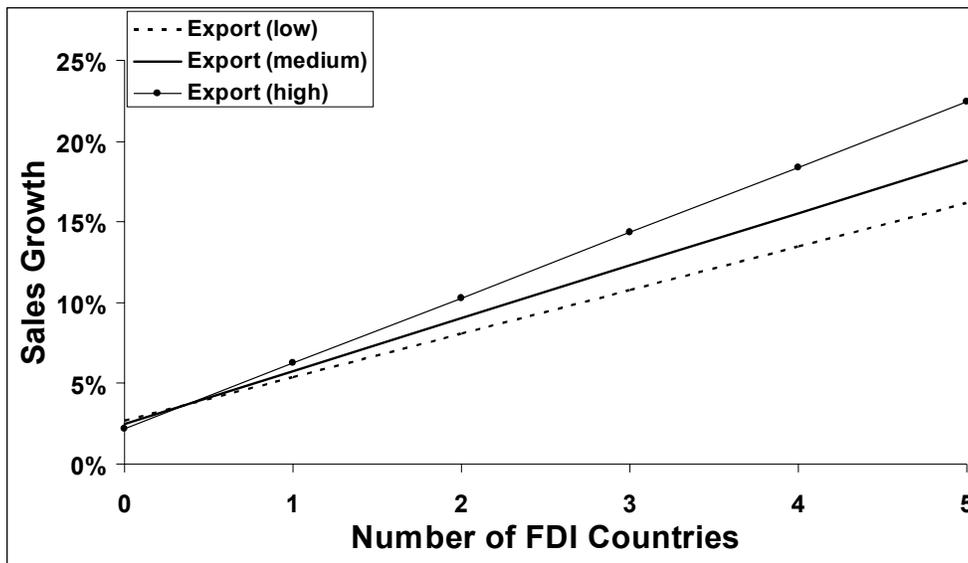


Figure 2

**Moderating Effect of Firm Age when Making First FDI on the Relationship
between Number of FDI Countries and Sales Growth**

