RMCIBER 2004 Grant Award

Project Title
An Empirical Study of Internationalization Strategy of the Multinational Enterprises

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Abstract
Internationalization has been used to refer to the degree to which a firm operates globally. Research examining the relationship between internationalization and multinational enterprise's financial performance has been ongoing for twenty years and has intensified in the past ten years. However, there is no commonly accepted theoretical framework that explains the internationalization-performance relationship.

From a strategic perspective, internationalization requires companies to operate beyond their national boundaries to sustain and enhance competitiveness. Is internationalization good for multinational enterprises? Can multinational enterprises benefit from their overseas expansion? Can internationalization generate superior financial performance for multinational enterprises? Can internationalization produce a diminution in performance?

Numerous studies have been conducted to answer these questions. The existing literature offers conflicting empirical findings on the performance implications of internationalization. The results of relationship vary from a linear relationship (which includes positive, negative, and no relationship), a U-shaped relationship (which suggests an initially negative effect of internationalization on performance, before the positive returns of internationalization are realized), an inverted U-shaped relationship (which suggests that internationalization beyond an optimal level is again detrimental to performance, and results in a negative slope), and a S-shaped relationship (which proposes a unified three-staged sigmoid theory).

Why these seemingly contradictory findings? This project argues that the major limitation in the literature on the internationalization-performance relationship is a lack of focus on the motives for internationalization. This project proposes that internationalization is not related to performance; rather, it is the possession of proprietary assets that is the ultimate source of superior firm performance. It is necessary to consider the interrelatedness of antecedents, mediators, moderators and consequences of internationalization and to partial out the direct and indirect effects of these variables on multinational enterprises' performance. Properly considering the application of the heterogeneity of multinational enterprises will lead possibly to a better explanation of the internationalization-performance relationship.

This project's contribution is (1) to reconcile these seemingly contradictory findings by proposing a new comprehensive explanation of internationalization-performance relationship (2) to test this proposed model using both primary (survey) and secondary (financial) data from the U.S. multinational enterprises across all industries classified by the North American Industry Classification System (NAICS) to avoid the common method bias, while most of the previous studies involved simply financial data, and (3) shed new light on the growing role of internationalization in the US economy by highlighting the interrelatedness of antecedents, mediators, moderators and consequences of internationalization.