

Internationalization at Inception: Insights from the Indian Textile Industry's Born Globals

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Abstract This study investigates the nature and shape of the relationship between internationalization and firm performance in textile Born Globals (BGs) in India. Utilizing a three-stage model and the M-curve hypothesis, the research examines this relationship comprehensively. The findings confirm a two-stage, inverted U-shaped relationship between internationalization and firm performance in the short run and an extended four-stage M-curve hypothesis in the long run. Additionally, the study identifies several variables that positively impact the performance of textile BGs in India during internationalization. The impact of these variables varies between the short and long term. In the short run, firm size and slack are significant factors in determining firm performance. However, research and development intensity and firm age, while insignificant in the short run, become significant contributors in the long run model.

Keywords: internationalization, firm performance, India, Born-Globals, firm size

JEL Classifications: F00, D22, L25, F14, F23

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I. Introduction

The recent surge in the internationalization of firms from developing countries can be attributed to a confluence of factors, including the progressive liberalization of trade, pervasive effects of globalization, and rapid technological advancements. The relentless process of globalization has engendered unprecedented interconnectedness among nations, affording enhanced business opportunities and fostering cross-border collaborations for these firms. This environment has facilitated the emergence of multinational corporations (MNCs) and the rise of Born Globals (BGs), heralding a significant shift in the global business landscape (Knight et al., 2004; Chetty and Campbell-Hunt, 2004). BGs are typically small, technology-oriented firms that have operated in international markets since their establishment (Oviatt and McDougall, 1995). This contrasts with traditional firms, which typically focus on their domestic market before expanding internationally. Examples of BGs include Logitech, Skype, and Spotify, which were founded with a global vision

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and have achieved significant success in international markets.

Several compelling rationales drive the internationalization of firms from developing countries. One such motive is the pursuit of economies of scale. By expanding operations across multiple countries, firms can distribute fixed costs over a larger production volume, reducing costs per unit and enhancing competitive advantage and profitability (Barney and Hesterly, 2015). Additionally, internationalization can prolong the product life cycle, allowing firms to capitalize on varied market conditions, consumer preferences, and product adaptations, thus maximizing revenue-generating potential (Cavusgil et al., 2003). Another incentive is the mitigation of market fluctuation risks. By diversifying operations across multiple countries, firms can diminish exposure to downturns or volatility in any single market, safeguarding financial stability and protecting against adverse economic conditions (Ganotakis and Thanos, 2014).

However, firms from developing economies face several challenges regarding internationalization, including limited access to resources such as capital and human resources, and the liabilities associated with being new entrants in the global arena. The liabilities of newness encompass obstacles such as lack of experience, reputation, and networks (Bembom & Schwens, 2018).

The antecedents and processes of BGs have gained importance in current research. Existing studies have investigated export and market entry modes (Moen, 2002), the impact of internationalization on firm performance (Almodóvar & Rugman, 2014; Ganvir & Dwivedi, 2017), and comparisons between BGs and traditional internationalizing firms (Chetty & Hunt, 2004). However, few studies have examined the impact of firm-level resources on BGs internationalization (Escandon-Barbosa et al., 2019; Efrat & Shoham, 2012).

The empirical literature on the relationship between internationalization and firm performance has produced significantly different results. This variation likely stems from differences in countries, industries, and levels of internationalization (Ganvir & Dwivedi, 2017). Studies, particularly in developing economies, have found that the relationship between internationalization and firm performance is non-linear, often exhibiting curvilinear patterns (U or inverted U-shape). This curvilinear relationship has been observed in both developed and developing economies. The three-stage theory of international expansion, which posits that the relationship between internationalization and firm performance unfolds in three stages (early, mid, and highly internationalized firms), has been widely accepted (Contractor et al., 2003). Recently, the literature has expanded to include a fourth level, resulting in a W or M-shaped relationship between internationalization and firm performance. This fourth level is characterized by a decline in firm performance after the third stage of internationalization due to increased competition, higher costs, and cultural challenges. This four-stage relationship has been observed not only in established firms but also in new ventures and BGs (Almodóvar & Rugman, 2014). However, research specifically examining the fourth level of internationalization, represented by the M or W hypothesis, in the context of BGs from India is lacking. Thus, this paper aims to investigate

the four stages of the internationalization and firm performance relationship in the case of textile BGs in India.

Research on BGs has primarily focused on the inexperienced phase of internationalization. Traditional models of internationalization, which are based on a gradual learning process, do not adequately explain the behaviour of BGs. There is a limited body of research on the dynamics of internationalization in BGs, particularly in the inexperienced and experienced phases. While some studies have examined the long-term dynamics of experienced BGs (Chelliah et al., 2010; Ganvir and Dwivedi, 2017), more research is needed on the two-phase (inexperienced and experienced) dynamics of BGs in developing economies. The present study aims to fill this gap by dynamically examining the relationship between internationalization and performance in BGs, dividing them into inexperienced and experienced groups.

Born Globals expand their global business shortly after their inception. With a firm established in overseas markets, they can commit more financial, technological, and time resources to compete in the global market. Firm resources are crucial to support firms' strategies when going abroad. These resources offer a potential competitive advantage to BGs through the products/services they provide, resulting in better firm performance (Wong and Merrilees, 2012). Many researchers have used the resource-based perspective of the firm to explain BGs firm behaviour (Knight and Cavusgil, 2005). Firm-level capabilities such as research and development, market commitment, and management capabilities are important determinants in explaining the financial success or performance of BGs operating in developing economies. Research targeting knowledge-intensive firms or high-tech industries from developing economies often focuses on managerial or entrepreneurial characteristics and innovation (Andersson and Wictor, 2003; Escandon-Barbosa et al., 2019). Conversely, studies on developing economies and manufacturing segments have found that firm internal resources, such as firm size, marketing and research expenditure, and financial resources, are key determinants of financial performance (Arafat et al., 2022). These studies emphasize that internal or firm-level factors have greater explanatory power as financial performance antecedents than external factors. This prompts a focus on firm-specific internal factors to explain the financial success of BGs operating in the manufacturing segment, specifically textiles. Therefore, this research examines the impact of firm-level resources on the performance of BGs in the Indian textile industry.

Drawing from the identified research gap, this paper seeks to answer three key research questions:

1. What is the nature and shape of the relationship between internationalization and firm performance in BGs from the Indian textile industry?
2. Does the shape of the relationship between internationalization and firm performance differ when inexperienced BGs transition to experienced ones?

3. How do firm-level resources impact firm performance during the internationalization process in BGs?

To examine these questions, we analysed textile firms that met the BGs criteria, with at least 25% of exports over total sales in one of the first three years. A total of 72 firms were included. Data from 2005 to 2021 were collected from the PROWESS database provided by CMIE. We employed a random effect model to investigate the relationship between internationalization and firm performance. We performed a robustness check using a Generalized Linear Model (GLM). We estimated the coefficients using the GLM to verify the consistency of our results.

The empirical findings reveal that the relationship between internationalization and firm performance in Indian textile BGs varies significantly over time. For firms with short-term international experience, an inverted U-shaped relationship is observed, where internationalization initially boosts performance but later has a negative impact. In contrast, experienced firms exhibit a four-stage M-curve relationship, characterized by alternating phases of positive and negative performance impacts. Additionally, factors such as firm size, slack resources, R&D intensity, and network affiliations play crucial roles in shaping this relationship. Robustness checks using GLM estimations validate the results from the Random Effect Model.

This paper contributes to the existing literature on BGs in three ways. First, it focuses on Indian textile BGs, which have been understudied in the literature. Second, it examines a specific subset of firms heavily reliant on exports, providing a fresh perspective on the internationalization-performance relationship. Third, it examines firm-level variables at various stages of internationalization, shedding light on the factors influencing the internationalization process of BGs.

The rest of the paper is organized as follows: Section 2 discusses the theoretical framework and hypotheses. Section 3 provides the data and methodology. Section 4 presents the results. Section 5 offers the discussion and conclusion.

II. Theoretical Framework and Hypothesis

Internationalization is defined as a multistage process in which the firm makes incremental efforts to strengthen its market involvement and gradually obtain commitments from foreign consumers. The stage model explains how firms gradually expand internationally through a sequential process or various stages, with the firm increasing its commitment to international operations as it proceeds through each stage (Kumar and Singh, 2008). However, there needs to be more consensus on the number of stages in internationalization and how it impacts firm performance. There is no clear consensus on the shape of the relationship between internationalization and firm performance. Some studies have found a positive linear relationship

(for example Ren et al., 2015) while others have found a negative linear relationship (for example Singla and George, 2013).

However, in recent decades, some scholars have found that the relationship between internationalization and firm performance is not linear. In the initial phase, internationalization can lead to increased performance. However, over time, performance may decrease, forming inverted U - shaped curve (for example, Brida et al., 2016) or U - shape (for example, Assaf et al., 2012). The sigmoid shape reconciles the last three decades of research into the three-stage model of internationalization, considering the general theory of the relationship between internationalization and firm performance (Contractor, 2007). The three-stage model assumes that firms move from one stage to another, and the benefits and costs of internationalization change over time, leading to differential performance impacts. Three distinct stages of Internationalization can be identified: early, mid, and high. The earlier proposed linear and non-linear relationships between Internationalization and firm performance are ambiguous. Instead, these relationships may depict the various stages of the three-stage model (Singla and George, 2013). Recent empirical studies have confirmed the three - stage sigmoid (S - shaped) relationship between Internationalization and firm performance. This sigmoid relationship is based on behavioral models of internationalization, such as the Uppsala internationalization model. Moreover, the studies on the traditional path of internationalization have validated the three-stage theory. In recent years, however, several researchers have found that the Uppsala learning model does not apply to all firms including BGs (Oviatt & McDougalla, 1995).

BGs are young firms that internationalize rapidly, often within their first five years of operation. They typically have a global mind set and can exploit opportunities in foreign markets quickly. In the initial stages of BGs such as the initial experience phase, learning cannot take place because they are new to internationalization. They will only operate in two stages, so the curvilinear hypothesis developed on the Uppsala stage model cannot be applied to inexperienced BGs (Mendoza et al., 2020). However, Uppsala is more relevant to firms transitioning into experienced phase of internationalization. In the recent years, several authors also found the existence of M - phase in Spain, manufacturing MNEs (Mendoza et al., 2020), international new ventures (INV's) in Korea (Lee, 2013), and Spain (Almodóvar & Rugman, 2014). The rationale of the M - curve is based on the three-stage model proposed by Contractor et al. (2003) and Lu and Beamish (2004). An additional stage has been added at the beginning of the three-stage curve to form the M - curve. Table 1. Summarizes the existing empirical studies on internationalization and firm performance in the context of three-stage (S- curve) and four-stage hypotheses (M or W curve).

This study aims to empirically validate a four-phase model for a uniform sample of firms in the Indian textile industry. Previous studies have shown that international new ventures or BGs from the manufacturing sector often follow the M-curve e patterns (e.g., Almodovar, 2012;

Lee, 2013). These firms typically favor exports over foreign direct investment (FDI) as their mode of internationalization. We believe that Indian textile BGs align with this model due to their similar characteristics. Most of the Indian textile firms are export-oriented and demonstrate limited diversification, focusing primarily on nearby markets. The Indian textile industry, characterized by rapid internationalization and heavy reliance on export markets, shares many attributes with the BGs previously studied. Therefore, it is plausible to apply the M-curve hypothesis to Indian textile BGs to better understand their internationalization strategies and market behavior.

In this paper, we are extending the existing S- curve hypothesis formulated by Contractor et al. (2003) and the work of Almodóvar and Rugman (2014) of M - curve hypothesis to examine the internationalization and firm performance in BGs from Indian textiles. The four phases of M - curve is presented below.

Table 1. Review of Empirical Literature (Internationalization and Firm Performance Relationship)

Author	Time period	Country	Sector/ Industry	Shape of the curve
Contractor et al. (2003)	1983-1988	USA	Service firms	S shape
Thomas and Eden (2004)	1990-1994	USA	Manufacturing	S shape
Ruigrok et al. (2007)	1998-2005	Switzerland	Manufacturing	S Shape
Kumar and Singh (2008)	1997-2001	India	Pharmaceutical	S shape
Almodóvar (2012)	2000-2008	Spain	Manufacturing	M and W
Lee (2013)	2002	Korea	Manufacturing INV's	M
Almodóvar and Rugman (2014)	1994-2018	Spain	Manufacturing INV's	M shape and Inverted U shape
Fernandez - Olmos et al. (2015)	2006-2011	Spain	Manufacturing SME's	W Shape
Benito - Osorio et al. (2016)	1994-2008	Spain	Manufacturing SME's	U shape and S shape
Cho and Lee (2018)	2003-2013	Korea	Manufacturing SME's	S shape
Thi Ngoc Huynh et al. (2018)	2007-2012	Vietnam	Manufacturing	S shape
Mendoza et al. (2020)	2004-2012	Spain	Manufacturing	M and S shape
Zhou (2018)	2001-2014	China	Manufacturing	W and U shape
Nguyen et al. (2019)	2007-2015	Vietnam	Manufacturing	W shape

(Source) Author's own representation.

A. The four phases of the M - curve

1. First phase: Positive slope

A large body of research on BGs supports mixed results on the relationship between degree of internationalization and firm performance. Parallel research explores the empirical link between international diversification and firm performance is, which is often found to be an inverted U curve or horizontal s curve (Contractor et al., 2007; Lu and Beamish 2004; Kumar and Singh, 2008). This literature confirms that there is an initial stage in which firm performance

decrease with international expansion. The reason for this is that the liability of foreignness (LOF) exceeds any benefits of internationalization (Altaf et al., 2015).

2. Second phase: Negative slope

In the second phase, there might be chance of Liabilities of foreignness (LOF). LOF arises due to a firm's unfamiliarity with the foreign environment and competition (Hymer, 1970). The initial phase may benefit firms, but as the degree of internationalization increases, there is a need to implement new structures and strategies to face the added cost of LOF (Gomes and Ramaswamy, 1999). Especially in the context of emerging firms, there are greater constraints on resources in terms of capital, managerial and technological competences to compete effectively in foreign markets (Hitt et al., 2000). In the case of Indian firms the lack of R & D facilities, trade cost and less knowledge about exporting countries will be barriers to international expansion. In sum in the second stage the cost outweighs the benefits, and a decline in performance with increasing degree of internationalization occurs.

3. Third phase: Positive slope

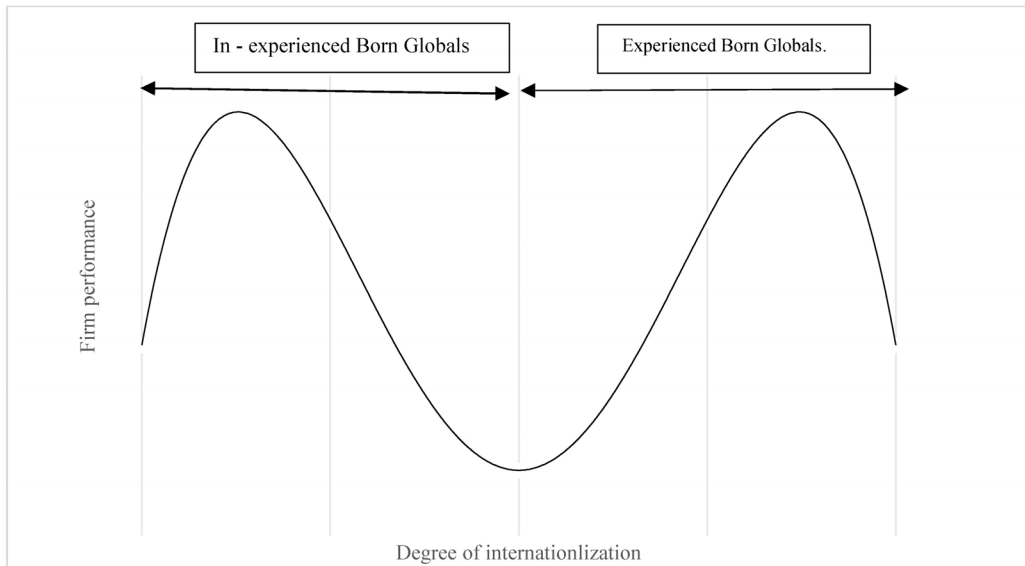
International expansion of emerging market firms is a relatively new phenomenon, as firms from these countries are late internationalizers (Benito - Osorio et al., 2016). There is a difference between emerging and developing economy firms and developed economy firms. The firms that belonged to developed economies are relatively efficient with firm-level capabilities, such as capital, labour, and product markets (Lee et al., 2012). However, in recent years the authors from developing economies have supported the existence of the three-stage theory (Kumar and Singh, 2008). Thus, we can assume that the BGs may strengthen their abilities and learning can take place in the third phase.

4. Fourth phase: Negative slope

Aggressive internationalization may not always lead to profits. A higher extent of internationalization will reduce company performance (Tallman and Li, 1996). Beyond the optimum level of internationalization, the company suffers from strategic control and higher information cost. Thus, we can assume that the fourth phase degree of internationalization will reduce firm performance.

Based on the above arguments, we propose that the link between the degree of internationalization and firm performance in BGs from Indian textiles is an inverted U shape in the short run (inexperienced BGs). M-shaped in the long run (experienced BGs) and the illustrated M-curve is presented in Figure 1.

Figure 1. M - curve relationship between internationalization and firm performance



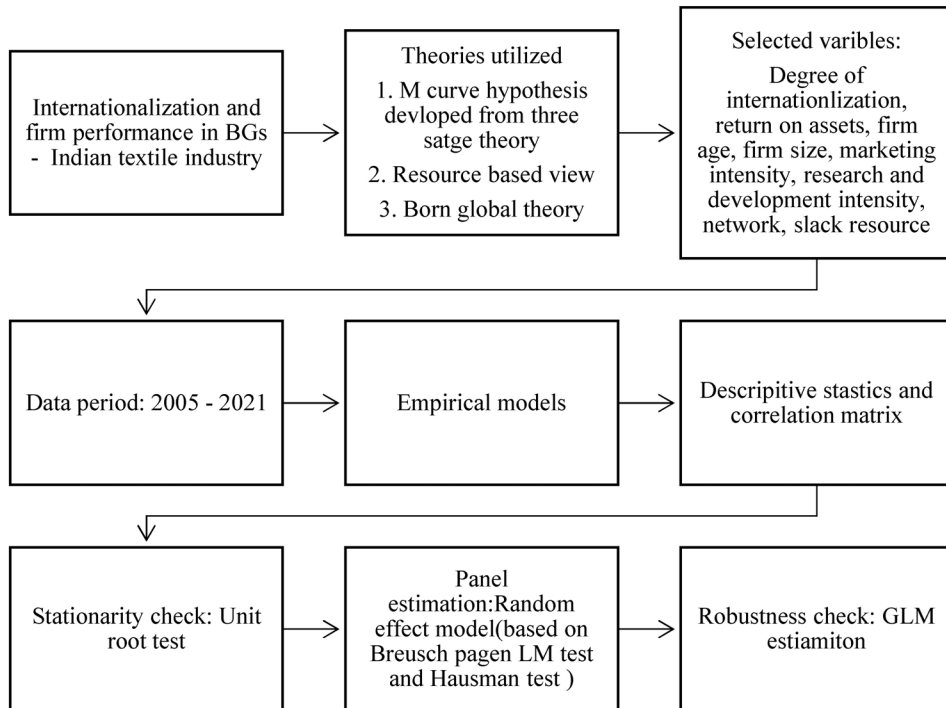
(Source) Author's Own illustrative shape of four phase model.

Hypothesis 1. The relationship between the degree of internationalization and firm performance is inverted-U- shaped in - experienced textile Born Globals: In the first stage, the degree of internationalization (DOI) has a positive impact on the performance; in the second stage, the DOI has a negative impact on performance.

Hypothesis 2. The relationship between the degree of internationalization and firm performance is M- shaped in - experienced textile Born Globals: In the first stage, the degree of internationalization (DOI) has a positive impact on performance; in the second stage, the DOI has a negative impact on performance; in the third stage the DOI has a positive impact on performance; in the fourth stage, the DOI has a negative impact on performance.

In addition to key hypothesis-testing variables, we control the six other factors that affect the firm performance: firm size, age, marketing intensity, research intensity, slack resource, and parental network. We summarized each variable and its definition in the methodology section. The research flow of the study is represented in Figure 2.

Figure 2. Research flow of the study



(Source) Author's Own illustration.

III. Data and Methodology

A. Data

The study examines the relationship between internationalization and firm performance in Indian textile BGs. Unbalanced panel data collected from the secondary source PROWESS database provided by the Centre for Monitoring the Indian Economy (CMIE) was used. The threshold for selecting BGs was at least 25 percent of exports over total sales in at least three years from inception, in line with the literature (Knight et al., 2004; Andersson and Wictor 2003). The sample consisted of 72 Indian textile BGs over the full period 2005 to 2021.

To identify the long-term relationship between BGs and their export performance, we categorized BGs into two groups: inexperienced and experienced. Inexperienced BGs are those that have less than three years of exporting experience, while experienced BGs have more than three years of exporting experience. We removed BGs from the sample once they had more than three years of exporting experience, as we wanted to focus on the long-term

relationship between BGs and their export performance. This resulted in an average of 24 inexperienced BGs per year over the 16-year panel data set. On average, there were 62 experienced BGs in the sample over the 16-year period.

B. Methodology

In line with the existing literature on traditional internationalization and firm performance, we used Return on Assets (ROA), an accounting-based measure, as the dependent variable. ROA is a profitability measure that is calculated by dividing net profits divided by total assets. This variable used as a proxy for firm performance in studies related to examining the internationalization and firm performance (Lin et al., 2011; Fernandez - Olmos et al., 2016).

The major independent variable considered for the study is degree of internationalization (DOI), measured as the ratio of foreign sales to total sales, was considered the main independent variable for the current study. Consistent with prior research (Contratcor et al., 2007; Ruigrok et al., 2007; Lin et al., 2011; Altaf et al., 2015; Brida et al., 2016). To capture the relationship between export intensity and firms' performance, we create three variables raising the original DOI to the power of two three and four (Lee et al., 2012; Mendoza et al., 2020).

This study also employed several control variables including firms age, firm size, marketing intensity, research and development intensity, slack and parental network. Prior research also found significant association in firm age and firm performance (Singla and George 2013). We measured the variable as the total number of operations since inception. We have taken logarithmic function of age. Firm size as measured by the logarithmic function of firm's total sales and included as the control variable. This measured widely used in the existing literature (Lin et al., 2011; Assaf et al., 2012; Altaf et al., 2015; Zhou 2018). By applying the resourced-based view of the firm, numerous scholars argue that early internationalizing firms have a bundle of specialized knowledge and unique products, which facilitate early and rapid internationalization and superior outcomes. In this bundle marketing and research and advertisement intensity plays a major role (Knight et al., 2004). Marketing intensity is measured as a marketing expense divided by the total sales multiplied by 100. Because of marketing intensity, the firm may leverage the sales of the company in international market (Lee et al., 2012; Ren et al., 2015). Research intensity is measured as a research and development expenses divided by the total sales multiplied by 100. Numerous studies on internationalization literature have validates the importance of research and development (Lee et al., 2019; Ren et al., 2015). Slack is measured as a level of current ratio, i.e., current assets to current liabilities ratio. A higher discretion slack indicates that firm's greater ability to meet its immediate resource needs for exploit opportunities (Lin et al., 2011). Finally parental network is measured as a dummy variable, if firms are affiliated with domestic business group, the value will be one otherwise independent

BGs will be represented with zero value. Firms affiliated with business group share capital, product, labour, and information internally among the group members (Khanna and Palepu, 1997). These ties can improve firm performance, as they can access information, knowledge resources markets and technologies from parental firms (Gulati et al., 2000). The details of each variable are summarized below. A detailed description of each variable and its measurement is given in Table 2.

Table 2. Data Description for the Panel Data Estimation

Variable acronym	Description	Formula
Dependent variable		
<i>ROA</i>	Return on assets	Net profits/total assets
Independent variables		
<i>DOI</i>	Degree of Internationalization	(Export sales/total sales) *100
Control variables		
<i>lnAge</i>	Firm age	Log (firm's number of years of operation since inception)
<i>lnSize</i>	Firm size	Log (firm's total sales)
<i>Network</i>	Group affiliation	Dummy variable 1 = if firm have affiliation to business group
<i>Mark_intensity</i>	Marketing intensity	[Marketing expenditure /total sales] *100
<i>Stack</i>	Current ratio	Current assets/current liabilities
<i>R & D_intensity</i>	Research intensity	[Research and development expenditure/total sales] *100

(Source) Author's own representation.

1. Empirical model

To examine the relationship between internationalization and firm performance in Indian textile BGs, the following base model was designed. This model is extended from the existing empirical studies of Zhou (2018), and Almodóvar and Rugman (2014). To capture the relationship between export intensity and firms' performance, we create three variables raising the original DOI to the power of two three and four and introduced in the base model, therefore the base model will capture the relationship between internationalization and firm performance in India textile BGs.

$$ROA_{it} = \beta_0 + \beta_1 DOI_{it} + \beta_2 DOI_{it}^2 + \beta_3 DOI_{it}^3 + \beta_4 DOI_{it}^4 + \epsilon_{it} \quad (1)$$

Where t indicates the time reference and i indicates the individual firm, ROA_{it} represents the performance of firm in year t . DOI_{it} represents the degree of internationalization of firm in year t . ϵ_{it} is the error term.

In the second model we utilized the all the control variables considered for the study.

$$ROA_{it} = \beta_1 \ln Age_{it} + \beta_2 \ln Size_{it} + \beta_3 Mark_intensity_{it} + \beta_4 R \& D_intensity_{it} + \beta_5 Slack_{it} + \beta_6 Network_{it} + \epsilon_{it} \quad (2)$$

Where t indicates the time reference and i indicates the individual firm, ROA_{it} represents the performance of firm in year similarly, $\ln AGE_{it}$ represents the firm operating years, $\ln SIZE_{it}$ represents the natural logarithm of firm's total sales, $Mark_intensity_{it} \& R \& D_intensity_{it}$ represents the marketing and research and development intensity, $Slack_{it}$ represents the firms current ratio, and $Network_{it}$ represents the firm affiliation. ϵ_{it} is the error term.

We have incorporated both independent and control variables in the model - 3. Therefore, equation three represents the model- 3 utilized for both in - experienced and experienced phase of BGs internationalization and firm performance relationship.

$$ROA_{it} = \beta_0 + \beta_1 DOI_{it} + \beta_2 DOI_{it}^2 + \beta_3 DOI_{it}^3 + \beta_4 DOI_{it}^4 + \beta_5 \ln Age_{it} + \beta_6 \ln Size_{it} + \beta_7 Mark_intensity_{it} + \beta_8 R \& D_intensity_{it} + \beta_9 Slack_{it} + \beta_{10} Network_{it} + \epsilon_{it} \quad (3)$$

In addition, the study also considers the six moderating variables: firm age, firm size, marketing intensity, research, and development intensity, slack and network. from the perspective of firm's behaviour with prior studies of Lin et al., (2011) and Thi Ngoc Huynh et al., (2018) studies the moderating variables are included in the base model. Therefore equation (4) estimates the moderating effect of the given variables on the relationship between internationalization and firm performance.

$$ROA_{it} = \beta_0 + \beta_1 DOI_{it} + \beta_2 DOI_{it}^2 + \beta_3 DOI_{it}^3 + \beta_4 DOI_{it}^4 + \beta_5 \ln Age_{it} \times DOI_{it} + \beta_6 \ln Size_{it} \times DOI_{it} + \beta_7 Mark_intensity_{it} \times DOI_{it} + \beta_8 R \& D_intensity_{it} \times DOI_{it} + \beta_9 Slack_{it} \times DOI_{it} + \beta_{10} Network_{it} \times DOI_{it} + \epsilon_{it} \quad (4)$$

The first step in panel data analysis is to check the integrated properties of the underlying variables. Before proceeding to the identification of a possible long-run relationship, we need to verify whether all the variables are integrated of order one in levels. In this paper, we used the Im, Pesaran, and Shin (IPS) panel unit root test, which allows for a heterogeneous autoregressive unit root process across cross-sections by testing a statistic based on the average of individual ADF statistics (Im et al., 2003).

In the second step of our analysis, we conducted several statistical tests to determine the most appropriate model for panel data analysis. Initially, we applied the Breusch-Pagan LM

test to distinguish between pooled ordinary least squares (OLS) and panel data models. The rejection of the null hypothesis indicated that the panel data could not be pooled. Subsequently, we utilized the Hausman test to decide between fixed effects and random effects models. The results of the Hausman test suggested that the random effects model was suitable for our analysis.

Therefore, we employed the random effects model for our panel data analysis. To ensure the robustness of our findings, we performed a robustness check using a Generalized Linear Model (GLM). We estimated the coefficients using the GLM to verify the consistency of our results. The robustness check using the GLM confirmed the reliability of the random effects model's estimates.

IV. Results and Discussion

A. Descriptive statistics and the correlation matrix

Table 3 summarizes the descriptive statistics and the correlation among the variables for experienced Indian textile BGs. Correlation analysis is conducted to verify whether the variables present any problems of multicollinearity. From Table 3, we can observe that all the major explanatory variables and the control variables considered for the econometric model are significantly correlated with the dependent variable. Therefore, we select all the variables for panel analysis. We can observe that the average degree of internationalization is 47% and 34% are affiliated with a parental network.

Table 3. Descriptive Statistics and Correlation between Variables

	Mean	Standard Deviation	ROA	DOI	lnAge	lnSize	Mark_ intensity	R & D_ intensity	Slack	Network
ROA	2.72	5.32	1							
DOI	47.44	25.75	0.13**	1						
lnAge	1.10	0.28	0.02	-0.13**	1					
lnSize	3.15	0.71	0.14**	-0.11**	0.16**	1				
Mark_intensity	1.55	1.60	-0.01	0.08**	-0.02	-0.06*	1			
R & D_intensity	0.04	1.18	-0.00	-0.01	0.03	0.25**	0.10**	1		
Slack	1.48	1.59	0.47**	0.21**	0.05**	-0.19*	0.02	-0.05*	1	
Network	0.34	0.47	-0.22**	-0.14*	-0.02	0.18**	0.17**	0.23**	-0.11**	1

(Source) Author's own calculation.

**Correlation is significant at the 0.01 level (2-tailed)

*Correlation is significant at the 0.05 level (2 - tailed)

B. Unit root test results

We used the Im, Pesaran, and Shin (IPS) panel unit root test to test for stationarity of the variables in our study. The IPS test allows for a heterogeneous autoregressive unit root process across cross-sections by testing a statistic based on the average of individual ADF statistics. The results of the IPS test, shown in Table 4, indicate that all the variables in our study are stationary at levels. This means that all the variables are integrated at order I (0).

Table 4. Stationarity of the Variables: Unit Root Test

Variable	at Levels		Result
	Statistic	Prob.	
<i>ROA</i>	-5.122***	0.000	Stationary
<i>DOI</i>	-9.980***	0.000	Stationary
<i>lnAge</i>	-75.560***	0.000	Stationary
<i>lnSize</i>	-4.527***	0.000	Stationary
<i>Mark_intensity</i>	-53.879***	0.000	Stationary
<i>R & D_intensity</i>	42.110**	0.006	Stationary
<i>Slack</i>	-15.6033***	0.000	Stationary

(Source) Author's own calculation.

Note. the asterisks *, **, *** denotes the statistical significance at the 10%, 5% and 1% level respectively.

C. Random effect regression model results

We present our models in Table 5, focusing on in - experienced BGs. The analysis is confined to a short-run period, defined as within three years. Models 1 to 4 analyse the relationship between internationalization and firm performance for these in - experienced Indian textile BGs. Model 1 tests Hypothesis 1, suggesting a nonlinear relationship between internationalization and firm performance, with a positive slope initially and a declining slope at a later stage. This model includes only the independent variable. Model 2 considers only the control variables, while Model 3 incorporates both independent and control variables. Model 4 extends the analysis by including interactive variables, specifically the interactions between control variables and the degree of internationalization. Models 2 to 4 explore the impact of firm resources on the internationalization and performance relationship.

Table 5. Estimates of Random Effect Regression Model (in - Experienced Born Globals)

Variable	1 Coeff. (Std Err.)	2 Coeff. (Std Err.)	3 Coeff. (Std Err.)	4 Coeff. (Std Err.)
<i>DOI</i>	1.59** (0.62)		1.76** (0.66)	2.03 ** (0.62)
<i>DOI</i> ²	-0.04*** (0.02)		-0.05*** (0.02)	-0.06 ** (0.02)
<i>DOI</i> ³	0.0005 (0.0003)		0.00 (0.00)	0.01 (0.01)
<i>DOI</i> ⁴	-0.000001 (0.00001)		-0.00 (0.00)	-0.00001 (0.00001)
<i>lnAge</i>		-1.34 (2.54)	-0.06 (2.51)	
<i>lnSize</i>		2.94** (0.98)	1.94 (1.08)	
<i>Mark_intensity</i>		0.03 (0.40)	0.00 (0.39)	
<i>R & D_intensity</i>		2.57 (4.34)	2.14 (4.27)	
<i>Slack</i>		2.12 *** (1.20)	1.94 *** (1.15)	
<i>Network</i>		-5.29 * (1.44)	-3.85 *** (1.62)	
<i>DOI</i> × <i>Age</i>				-0.01 (0.03)
<i>DOI</i> × <i>Size</i>				0.01 (0.01)
<i>DOI</i> × <i>Mark_intensity</i>				0.01 (0.01)
<i>DOI</i> × <i>R & D_intensity</i>				0.09 (0.06)
<i>DOI</i> × <i>Slack</i>				0.04 * (0.01)
<i>DOI</i> × <i>Network</i>				-0.07 ** (0.02)
<i>Constant</i>	-16.37** (6.61)	-7.15** (3.28)	-24.91* (6.12)	-19.98* (5.50)
<i>R</i> ²	0.19	0.20	0.32	0.30
<i>Adjusted - R</i> ²	0.16	0.14	0.23	0.22
<i>F - Stats</i> (Probability)	5.66 (0.00)	3.43 (0.00)	3.64 (0.000)	3.85 (0.00)

(Source) Author's own calculation.

Note. Standard errors are given in parentheses. Where *, **, *** denotes the significance at the 1%, 5% and 10% levels respectively.

1. Case of in - experienced firms (short run)

For in - experienced textile BGs, Model 1 shows that the degree of internationalization (DOI) has a positive relationship with firm performance ROA (return on assets) at first (coefficient of 1.59), followed by a negative coefficient for the squared term (-0.04). Combining the two results, we can conclude that there is an inverted U-shaped relationship between internationalization and firm performance in - experienced textile BGs in India. This supports Hypothesis 1, which proposed a nonlinear relationship between internationalization and firm performance.

The results indicate that initially, internationalization is positively associated with firm performance. However, as internationalization increases, the relationship becomes negative. This suggests that in the short run, experienced textile BGs in India first internationalize (initial stage) when they gain market access, economies of scale in cost and sales. However, as they advance to the next stage (intermediate), they face multiple challenges in cross-border trade. It becomes quite difficult for the firms to survive due to intense competition in the international markets. Experienced textile BGs may face limitations in their resources or capabilities to manage operations in multiple countries, and they may be exposed to various risk factors such as economic shocks and vulnerabilities. This may be the reason for the negative turning of the curve.

Similarly, Models 2 and 3 show that firm size, slack, and networks are significant factors in determining firm performance in the Indian textile BGs. Marketing and research intensities, and firm age were found to be insignificant. Firm size plays a crucial role in the internationalization process of Indian textile BGs. Larger firms have more resources and capabilities, which can help them to succeed in international markets. For example, larger firms can invest in research and development (R&D) to develop new products and services that are in demand in foreign markets. They can also invest in marketing campaigns to target foreign markets.

Regarding the impact of the variable slack, which represents the idle working capital of the firms, it shows a positive relationship with the internationalization of textile BGs in India. This means that textile firms with slack are more likely to internationalize, as they have fewer financial constraints. Firms with slack can afford to take risks, such as entering new markets or expanding product varieties.

However, the impact of networks on the internationalization process of textile BGs was found to be negative and significant for Indian textile firms. This implies that Indian textile firms that are affiliated with business groups are not able to effectively leverage their resources in international markets and hence have lesser performance compared to those BGs that are not affiliated with business groups. Similar findings have been observed in the case of manufacturing firms in India. Firms that can compete in international markets are more likely to be successful, regardless of whether they are affiliated with a parent company. Networks

can provide some benefits, such as access to resources and markets, but they are not essential for BGs from India during the internationalization process.

The variables of marketing and research intensity were found to be insignificant. This may be due to the poor competitive advantage of Indian textile businesses in international markets. These factors are still in the initial stages of development in the industry. Additionally, firm age is not a significant predictor of internationalization. This is because BGs are young firms with a high vision of market orientation and exploitation of opportunities in foreign markets in the initial stages of internationalization. Therefore, firm age is not a significant predictor of internationalization in - experienced textile BGs.

Finally, Model 4 extends the analysis by including interactive variables, showing that the interaction between DOI and slack is positive and significant, while the interaction between DOI and network is negative and significant. This indicates that slack positively moderates the relationship between internationalization and performance, whereas network affiliation negatively moderates this relationship. Firms with higher levels of slack are better equipped to leverage the benefits of internationalization. These firms have more financial flexibility and resources to invest in activities that support their international operations, such as marketing, R&D, and overcoming initial entry barriers in foreign markets. Therefore, slack provides a cushion that allows firms to absorb the costs and risks associated with expanding internationally, leading to better performance outcomes. In the case of networks, firms affiliated with networks might face internal resource constraints or competition for resources within the group, limiting their ability to invest adequately in internationalization efforts.

We present our models in Table 6, focusing on experienced BGs. The analysis is confined to a long run period. Models 1 to 4 analyse the relationship between internationalization and firm performance for these experienced Indian textile BGs. Model 1 tests Hypothesis 2, suggesting a nonlinear relationship between internationalization and firm performance, with a positive slope initially and a declining slope at a later stage. This model includes only the independent variable. Model 2 considers only the control variables, while Model 3 incorporates both independent and control variables. Model 4 extends the analysis by including interactive variables, specifically the interactions between control variables and the degree of internationalization. Models 2 to 4 explore the impact of firm resources on the internationalization-performance relationship.

Table 6. Estimates of Random Effect Regression Model (Experienced Born Globals)

Variable	1 Coeff. (Std Err.)	2 Coeff. (Std Err.)	3 Coeff. (Std Err.)	4 Coeff. (Std Err.)
<i>DOI</i>	0.51** (0.19)		0.57** (0.18)	0.35 *** (0.15)
<i>DOI</i> ²	-0.02*** (0.00)		-0.02** (0.00)	-0.01 * (0.01)
<i>DOI</i> ³	0.0003*** (0.0001)		0.0003*** (0.0001)	0.0002 ** (0.0001)
<i>DOI</i> ⁴	-0.000001*** (0.0000001)		-0.000001*** (0.0000001)	0.000001 *** (0.000001)
<i>lnAge</i>		1.52* (0.74)	1.81** (0.74)	
<i>lnSize</i>		2.54* (0.33)	2.53* (0.33)	
<i>Mark_intensity</i>		-0.01 (0.13)	-0.06 (0.13)	
<i>R & D_intensity</i>		2.17* (1.08)	1.94* (1.08)	
<i>Slack</i>		0.47** (0.14)	0.45** (0.14)	
<i>Network</i>		-3.00* (0.45)	-3.11* (0.46)	
<i>DOI</i> × <i>Age</i>				-0.01 (0.01)
<i>DOI</i> × <i>Size</i>				0.02 * (0.007)
<i>DOI</i> × <i>Mark_intensity</i>				-0.003 (0.007)
<i>DOI</i> × <i>R & D_intensity</i>				-0.002 (0.022)
<i>DOI</i> × <i>Slack</i>				0.004 ** (0.001)
<i>DOI</i> × <i>Network</i>				-0.020 (0.017)
<i>Constant</i>	-1.36 (1.52)	-6.73* (1.23)	-11.47 (1.85)	-2.19 ** (1.30)
<i>R</i> ²	0.24	0.35	0.27	0.26
<i>Adjusted - R</i> ²	0.18	0.24	0.22	0.24
<i>F-Stats</i> (Probability)	3.82 (0.00)	17.84 (0.00)	12.49 (0.00)	4.23 (0.00)

(Source) Author's own calculation.

Note. Standard errors are given in parentheses. Where *, **, *** denotes the significance at the 1%, 5% and 10% levels respectively.

2. Case of experienced firms

In the case of experienced textile BGs, the study found that the initial phase of internationalization has a positive relationship with firm performance (0.51). However, this relationship is followed by a negative coefficient (-0.02) in the second phase, a positive coefficient (0.0003) in the third phase, and finally a negative coefficient (-0.000001) in the fourth phase.

Combining the results, we can conclude that there is a four-stage M-shaped relationship between internationalization and firm performance in experienced textile BGs in India. This supports Hypothesis 2, which proposed a nonlinear relationship between internationalization and firm performance in experienced textile BGs from India.

In addition, the study also found that, the in - experienced textile BGs can attain two stages of internationalization and firm performance relationships. Whereas experienced firms expand up to four stages. As mentioned earlier, the initial phase of internationalization has a positive relationship with firm performance. However, this relationship is disrupted in the second phase due to financial and other constraints. This is due to a lack of experience. These two stages can be found in the case of in - experienced firms. When firms turn into experienced firms, they can attain the third phase of positive performance with internationalization. However, the increased liabilities of foreignness (LOF) in the fourth phase of experienced textile BGs causes a downturn and forms a negative relationship between internationalization and firm performance.

Our analysis of Models 1 and 3 revealed that there are differences between internationalization and firm performance in textile BGs in India in the short and long run. Developing and emerging firms are often called late internationalizers (Gaur and Kumar, 2009), and they typically only attain one or two stages of internationalization and firm performance relationship. However, our study found that experienced textile BGs from emerging markets, such as India, can attain four stages of internationalization and firm performance relationship in the long run. This is a significant contribution to the literature on internationalization and firm performance.

The differential effect of financial resources on firm performance in BG Indian textile firms shows a different impact in short and long run models. Models 2 to 4 shows that firm size, age, slack, research and development intensity, and parental networks are significant factors in determining firm performance in the case of experienced Indian textile BGs. The same impact can be found in the case of firm size, slack, and parental network impact on firm performance in both long and short run models of textile BGs. However, research and development intensity and firm age are insignificant in the short run model but become significant contributors in the long run model. The reason behind the long-term profitability through research and development expenditure in the textile BGs is that the short-term research and development expenditure may not have a significant impact in the short run, but the time conversion of innovation into effective products in the long term might increase sales and profits. In the case of firm age, the international experience may not help in gaining a competitive advantage in short run,

but the experience in the long run helps overcome the barriers in international expansion. However, the variable marketing intensity shows no change over time. It remains statistically insignificant in both models.

The interaction effect between the degree of internationalization and firm characteristics, specifically firm size, and slack resources, have important implications for understanding the dynamics of international expansion in experienced BGs. The positive interaction between DOI and firm size suggests that larger firms are better positioned to leverage internationalization for improved performance. This advantage stems from their greater resources, which can be utilized to manage the complexities and costs associated with international operations. Similarly, the positive interaction between degree of internationalization and slack resources indicates that firms with more slack excess resources that can be allocated flexibly and are also better able to capitalize on international opportunities. These findings imply that successful internationalization requires not only strategic intent but also sufficient organizational resources. Firms aiming to enhance their performance through internationalization should therefore consider scaling their operations and maintaining slack resources to support their internationalization.

We conducted a robustness check by estimating the coefficients using a Generalized Linear Model (GLM) for both inexperienced and experienced phases, focusing on the two major models. The results are presents in the Table 7.

The results obtained from the GLM estimation support the findings of the Random Effect Model. Specifically, the coefficients across both estimation methods exhibit similar signs and magnitudes, reinforcing the validity of our initial results.

Table 7. *Estimates of GLM Model*

Variable	<i>In - experienced Born Globals</i>		<i>Experienced Born Globals</i>	
	1 Coeff. (Std Err.)	2 Coeff. (Std Err.)	3 Coeff. (Std Err.)	4 Coeff. (Std Err.)
<i>DOI</i>	0.01 * (0.002)	0.03* (0.004)	0.34 * (0.08)	0.24 ** (0.08)
<i>DOI</i> ²	-0.19 * (0.03)	-0.23* (0.15)	-0.01 * (0.005)	-0.01 ** (0.004)
<i>DOI</i> ³	0.0002 (0.0001)	0.01 (0.01)	0.0012** (0.00001)	0.00023 ** (0.00001)
<i>DOI</i> ⁴	-0.000001 (0.000001)	-0.00001 (0.00001)	-0.000001 ** (0.0000001)	-0.00001 *** (0.00001)
<i>lnAge</i>	-1.59 (2.37)		0.06 (0.71)	
<i>lnSize</i>	0.67 (0.80)		1.50 *** (0.27)	

Table 7. Continued

Variable	<i>In - experienced Born Globals</i>		<i>Experienced Born Globals</i>	
	1 Coeff. (Std Err.)	2 Coeff. (Std Err.)	3 Coeff. (Std Err.)	4 Coeff. (Std Err.)
<i>Mark_intensity</i>	-0.11 (0.38)		-0.13 (0.13)	
<i>DOI× R & D_intensity</i>	0.72 (4.72)		2.25 ** (1.12)	
<i>Stack</i>	0.66 (1.05)		0.26 (0.14)	
<i>DOI× Network</i>	-3.99 (1.46)		-2.72 *** (0.474)	
<i>DOI× Age</i>		-0.02 (0.04)		0.01 (0.01)
<i>DOI× Size</i>		0.02 (0.01)		0.03 ** (0.005)
<i>DOI× Mark_intensity</i>		0.001 (0.02)		-0.0005 (0.001)
<i>DOI× R & D_intensity</i>		0.07 (0.06)		0.0001 (0.021)
<i>DOI× Stack</i>		0.02 * (0.004)		0.004 *** (0.002)
<i>DOI× Network</i>		-0.07 ** (0.02)		-0.03 * (0.009)

(Source) Author's own calculation.

Note. Standard errors are given in parentheses. Where *, **, *** denotes the significance at the 1%, 5% and 10% levels respectively.

V. Discussion and Conclusion

This study explores the relationship between internationalization and firm performance within Indian textile Born Globals (BGs) in both short-run and long-run stages. It presents several significant findings. The relationship between internationalization and firm performance varies across different time periods.

For BGs with less experience in internationalization, defined as having only three years of exporting activities (short - run), the study identifies two stages. Initially, internationalization has a positive relationship with firm performance, followed by a negative association in the second phase. This suggests an inverted U-shaped relationship between internationalization and firm performance. For experienced BGs, the relationship extends to two more stages, validating the M-curve hypothesis. In this scenario, the initial phase of internationalization shows a positive

relationship with firm performance, followed by a negative association in the second phase, a positive association in the third phase, and finally a negative relationship in the fourth phase. These results indicate a four-stage relationship between internationalization and firm performance in the context of a developing country like India, which predominantly exhibits a three-stage relationship.

It is important to note that the nature and pattern of this relationship may vary based on the level of internationalization experience. This study provides valuable insights beyond prior research, which predominantly focused on large, slow-internationalizing firms from developed economies, and to a lesser extent, on international new ventures (INVs) or BGs in developed economies, as well as short-run and long-run internationalization stages.

The study also revealed that firm-specific factors such as size, slack resources, research and development (R&D) intensity, and network affiliations play crucial roles in determining the internationalization-performance relationship. Larger firms and those with ample slack resources are better positioned to leverage the benefits of internationalization, while network affiliations may impose constraints that negatively affect performance.

The inclusion of interaction variables in the analysis is crucial for understanding the importance of these variables during internationalization. In our study, the interaction between the degree of internationalization (DOI) and slack resources revealed a positive and significant relationship, indicating that firms with more financial flexibility are better equipped to leverage international opportunities. Conversely, the negative interaction between DOI and network affiliations highlighted that networks might impose constraints that limit a firm's ability to perform effectively in international markets. These interactions underscore that the impact of internationalization on performance is not uniform; it is significantly moderated by the firm's internal resources and external affiliations. Therefore, managers must consider these interactive effects when devising strategies for international expansion, ensuring that they have the necessary resources and flexible structures to capitalize on global market opportunities while mitigating potential constraints imposed by network affiliations.

Compared to external factors, developing internal capabilities presents a greater challenge for BGs, given their limited knowledge of domestic sales patterns and their early entry into exporting within zero to three years of establishment. Therefore, firm-level managers must formulate strategies aligned with firm resources and capabilities to ensure survival during the internationalization process, specifically for textile BGs from India.

The study also highlights the importance of investing in innovation through research and development (R&D) expenditures, which, although not immediately apparent, become significant contributors to long-term performance. The initial stage of internationalization presents a substantial opportunity for BGs to enhance their performance, as evidenced by the positive relationship. However, this positive impact is followed by diminishing returns in the subsequent

stage. This decline can be attributed to several factors, including a lack of awareness and understanding of international market dynamics, which is particularly prevalent in developing economies and the manufacturing sector.

Indian firms, particularly in pharmaceuticals, textiles, software services, and engineering, face significant challenges in investing resources and staying competitive on a global scale (Das, 2007). One major obstacle to successful international expansion is the slow adoption of crucial government policies like liberalization and privatization, which are implemented more swiftly in developed countries. This delay hampers the pace at which Indian firms can internationalize and makes them more vulnerable to competition from other countries, especially concerning high trade costs and strict trade regulations. These regulations create substantial barriers to exporting, particularly in developing economies.

The textile industry in India plays a critical role in the country's economy by providing employment and generating significant export revenues. Understanding how international expansion impacts the performance of firms in this sector is essential. Such insights can help policymakers develop strategies to boost the global competitiveness of Indian textile firms. By addressing these challenges and promoting faster adoption of supportive policies, the Indian textile industry can overcome export barriers and achieve sustainable growth in international markets.

For textile BGs from India, enhancing firm performance during the internationalization process involves a multifaceted approach. At the firm level, the focus must prioritize building capabilities, investing in innovation, and leveraging financial flexibility. Policymakers should facilitate internationalization by providing market intelligence and supporting trade agreements. This comprehensive approach will enable firms to navigate the challenges of international markets and achieve sustainable performance improvements over time.

The study acknowledges three limitations. Firstly, it primarily focuses on BGs, and the findings may not be applicable to slow internationalizing or traditional exporting firms. Secondly, the dataset is confined to the textiles industry, limiting its generalizability to other sectors or industries. Lastly, because the data come from developing and emerging economies, the results may not be the same when applied to other regions or countries.

Future research can be carried in other sectors beyond textiles, as well as in different geographical contexts. It would be valuable to examine whether the four-stage M-curve hypothesis holds true in industries with varying characteristics and in both developed and developing economies. Furthermore, including other variables that contribute to firm performance, such as technological innovation, market diversity, and management practices, could provide a more comprehensive understanding of the internationalization process.

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