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Review Article

A 21-Year Review of Research on the Effect of Internationalization on Firm Financial Performance and Research Agenda

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Abstract: The objective of this paper is to review the effect of internationalization on firm financial performance and to propose a research agenda in the international business field. By systematically searching the relevant database, twenty-five related studies published in journals indexed in the Web of Science - Clarivate Analytics and Scopus in the period from 1998 to 2019 - were selected and reviewed. The study applied the meta-analysis method to detect the limitations of prior studies. Reviewing results reveal that most of the empirical studies concluded the positive effect of firms' internationalization on their financial performance; while the nonlinear (U-shaped, or inverted U-shaped or S-shaped) relationship was confirmed by others. Building upon such research gaps, the study proposes research model for such a relationship and the moderating role of state ownership and CEO duality on the association to improve the robustness of future studies in the field by integration.

Keywords: Internationalization, performance, firms.

1. Introduction

International expansion is one of the most critical strategies for firm growth since this allows firms to obtain many advantages through approaching more developed economies. By doing so, firms have opportunities to gain more business knowledge, to enhance abilities and competitive capabilities [1]. Moreover, because of the different market conditions, firms are enabled to take advantage of the resources in various markets and achieve higher profits based on their available resources.

There are many studies that have applied various theories to investigate the degree of internationalization (DOI); however, the

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empirical findings are inconsistent. Several studies showed a linear relationship [2, 3]; while some studies confirmed a nonlinear relationship [4, 5].

This paper applies the method of meta-analysis to review the effect of the DOI on firm performance in order to detect the nature of this relationship and the limitations of previous studies. Based on this review, future research guidance is proposed to strengthen the insights in the international business field.

The studies were systematically reviewed through several stages. First, through "Google Scholar" the keywords related to internationalization and firm performance such as, "internationalization and performance", "international expansion and performance", "international diversity and performance" and "geographic diversity and performance" were used to select relevant studies. Subsequently, the studies were refined by focusing on searching the keywords on the websites of highly ranked journals (Web of Science - Clarivate Analytics and Scopus) in international business and management. This is also a difference compared to some other review papers [6, 7]. The referenced journals included International Business Review, Journal of World Business, Journal of International Management, Journal of International Business Studies, Management International Review, Journal of Business Research, Academic Management Journal, Academic Management Review, Journal of Management Studies, and Journal of Management.

With a systematic review process, thirty-eight studies relating to the effect of internationalization on firm performance were found. These studies clarified internationalization into three key dimensions: degree, scope and speed of internationalization [8]. The DOI expresses the extent to which the firm is exposed to foreign markets; the scope of internationalization indicates the diversity of the firm's international activities; and the speed of internationalization indicates the earliness of a firm's exposure to foreign market environments which is described by the length of time between the firm's inception and its first foreign sales. Besides, Miller et al. (2016) identify three distinct facets of internationalization: international intensity, international diversity, and international distance [9]. International intensity reflects the firm's commitment to serving customers in foreign markets. International diversity represents the breadth and the depth of internationalization by studying the dispersion of a firm's operations across the host countries. International distance represents differences between the characteristics of the firm's home country and those of the host countries.

Given the various scopes of internationalization, this study only focuses on the popular dimension of internationalization - the *DOI,* also known as the *intensity of internationalization* of firms. These two terms have the same meaning. Therefore, this paper reviews the content of twenty-five studies of the thirty-eight that were found. The reason is that the scope and the speed of internationalization or the diversity and the distance of internationalization approach the others.

Compared to the previous studies, the contribution of the study to literature is twofold. First, theoretical arguments on the effect of internationalization on financial performance of listed firms in the transition economy and the moderating role of state ownership and CEO duality are developed, thus a conceptual model about such an association is proposed. Second, our developed theoretical arguments about the effect of internationalization on financial performance of listed firms in the transition economy are integrated from two theories - the Internationalization model and the Resource-based view, which previous studies have rarely applied. This provides a new insight for further studies about research on internationalization and financial performance of listed firms in a transition economy context.

2. Internationalization and firm performance

2.1. Definition of internationalization

Internationalization means the geographical expansion of economic operations over a

national country's boundary. Many definitions of internationalization are released in the international business literature. Turnbull (1987) asserts that internationalization has been broadly used to describe the outward movement in a firm's international operations [10]. In addition, Welch and Luostarinen (1988) define internationalization as "the process of increasing involvement in international operations" [11, p.36]. Both of these definitions imply that internationalization is associated with increasing involvement in foreign markets. In addition, Calof and Beamish (1995) propose a much broader definition for internationalization based on entry mode; in particular, internationalization is the process of adapting firms' operations (strategy, structure, resources, etc.) to international environments [12].

According to Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) , internationalization is a multi-stage process in which firms have to make many efforts incessantly to increase their participation in international markets and to improve foreign consumers' awareness and commitments to their products gradually. These stages are: (1) no regular export activities; (2) export via independent representatives (agents); (3) sales subsidiary; and (4) production/manufacturing [13, 14].

On the whole, a review of the internationalization literature reveals that various scholars propose various definitions about internationalization. Among them, the definition of Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) about internationalization has been widely applied during past decades [13, 14].

2.2. The effect of internationalization on firm performance

Firm performance reflects the level of using available resources to accomplish goals. Firm performance is categorized into three aspects: financial performance, operational performance and overall performance [15].

The relationship between internationalization and firm performance has long been well-known by international business scholars; however, these studies only deal with financial performance. For the past several decades, some empirical evidence confirms that international expansion has a positive effect on firm performance, while other studies indicate that this relationship is nonlinear. There are these differences because of the benefits and costs of internationalization.

The benefits of internationalization

There exist several arguments based on benefits of internationalization about the positive effect of the DOI on firm performance.

First, firms have the opportunity to exploit the foreign markets' imperfections by using firm-specific assets, especially intangible ones [16]. Second, firms access cheaper inputs such as capital and labor, or outputs in the different countries in which the firms are operating [17, 18]. Third, the greater the firms' operating scope in the world, the better the firms' market powers strengthen their suppliers, distributors and customers [17]. Fourth, firms have the ability to enhance their knowledge base and innovation through experiential learning and to accumulate international experience [14, 19]. Fifth, internationalization helps firms to improve awareness of the scale and scope of global economies [16]. Sixth, internationalization helps firms to disperse the risks from operating in different countries in terms of political instability, fluctuations in exchange rates, or economic cycles [17]. Finally, experiencing operating in foreign markets help firms to have the ability for the global scanning of potential competitors and markets, as well as other potential profit sources [19].

The costs of internationalization

Many scholars consider that international expansion can be subject to risks and failures, whereby they recognize certain drawbacks in the internationalization process [16].

Firstly, firms have to face the liability of foreignness [14, 20]. Secondly, the firms' costs adapt to cultures and institutional norms of different countries [17]. Thirdly, the corporate governance and coordination costs are derived

from growing diversity in foreign markets; because firms have a lot of difficulties in their management arising due to the limited cognitive capacity of managers, or the information asymmetries between headquarters and cross-border office managers [19]. Finally, the firms' expenditures may soar because of high transport and tariff costs of expanding international operations [17].

3. Theoretical perspectives

3.1. The internationalization model

The internationalization process, whereby a firm gradually increases its international involvement, is described as being sequential from the initial export activities to the setting up of foreign production units [13]. Each firm goes through a number of logical steps of international behavior, based on its gradual acquisition, integration and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets [14]. The focus is on market knowledge and market commitment (through engaged resources). The learning through development of experiential knowledge about foreign markets is necessary in order to overcome the psychic distance to these markets. These distances are the differences between any two countries in terms of language, culture, education level, business practice and legislation. Consequently, a firm enters new markets with successively greater psychic distance and this distance may disturb the flow of information between the firm and the foreign markets. Therefore, firms should start their internationalization in markets with the lowest perceived market uncertainty, in other words, markets that they can rather easily understand, often in neighbouring countries.

3.2. The resource-based view

The resource-based view [21] is predicated on the assumption that gaining and preserving sustainable competitive advantages is a function of the firm's core resources and capabilities. This is because such resources and capabilities are the primary source of a firm's success. In addition, heterogeneity in organizational resources will lead to differences in competitive advantage and firm performance. Consequently, an international expansion by a firm represents an attempt to exploit valuable intangible resources, such as technological capabilities, well-established brand names, or management know-how [2]. Therefore, internationalization can improve firm performance by increasing sales in foreign markets, leveraging intangible resources; and exploiting relationships among business segments and geographic areas, etc. [2].

3.3. The three-stage model

The three-stage theory [19] is predicated on the assumption that there are three stages of international expansion, showing: (1) a short negative slope, then (2) a positive slope, and then (3) a short negative slope again. At the early stage of internationalization (stage 1) there may be a diminution in performance because of some reasons such as the liability of foreignness, the initial learning costs, cultural and foreign market inexperience, etc. In the mid-stage internal expansion (stage 2), benefits of international expansion are now realized because the incremental benefits of further international expansion are now greater than the incremental costs. Finally, some firms, in some sectors, may 'over internationalize' by expanding into too many nations and again suffer an incremental negative effect on performance. It means international expansion beyond an optimal threshold.

4. Empirical studies and proposed research model

4.1. Profile of the empirical studies

The content below (Table 1) is an overview of empirical studies concerning the effect of the internationalization on firm performance. The

studies were published in high citation index and high impact factor journals in the Web of Science - Clarivate Analytics and Scopus; namely: *International Business Review* (7 studies), *Journal of World Business* (5 studies), *Journal of International Management* (4 studies), *Journal of International Business Studies* (3 studies), *Management International Review* (3 studies), *Journal of Business Research* (2 studies) and *International Journal of Management Science* (1 study).

The major studies consider the effect of internationalization on firm performance over a period 6 - 10 years (10 studies), and other studies with a period longer than 10 years (7 studies). Internationalization is the process in which firms expand their business over national borders; therefore, the studies of internationalization with the data collected over a long period of years strongly indicate the progress of this process.

The majority of the studies focus on firms in general (14 studies), the rest focus on multinational enterprises (8 studies) and small and medium enterprises (3 studies).

Table 1: Summary of empirical studies about the effect of the degree of internationalization on firm performance

	Author(s)	**Theory perspective(s)**	**Research scope**		**Number of observations**
			Country/Region of study	Time period	
1	Riahi-Belkaoui (1998)	-	U.S.	1987-1993	612
2	Contractor et al. (2003)	Three-stage model	U.S.	1983-1988	606
3	Brock et al. (2006)	-	U.S., U.K.	2003	89
4	Contractor et al. (2007)	-	India	1997-2001	-
5	Elango and Sethi (2007)	-	16 countries (*)	1995-2000	-
6	Ruigrok et al. (2007)	Internationalization model	Switzerland	1998-2005	696
7	Zhou et al. (2007)	-	China	-	129
8	Hsu and Pereira (2008)	Resource-based view	U.S.	-	110
9	Pangarkar (2008)	-	Singapore	2003	94
10	Garbe and Richter (2009)	-	World	2001-2004	-
11	Bobillo et al. (2010)	-	Europe	1991-2001	16.588
12	Lin et al. (2011)		Taiwan	2000-2005	1.074
13	Chen and Tan (2012)	-	China	2000-2008	4.129
14	Hsu et al. (2013)	-	Taiwan	2000-2009	-
15	Singla and George (2013)	-	India	2002-2008	1.659
16	Tsao and Lien (2013)	-	Taiwan	2000-2009	3.103
17	Xiao et al. (2013)	Three-stage model	China	2001-2007	378.498
18	De Jong and van Houten (2014)	-	Europe	2003-2007	568
19	Benito-Osorio et al. (2016)	Three-stage model	Spain	1994-2008	17.153
20	Miller et al. (2016)	Three-stage model	Japan	1985-2002	44.666
21	Buckley and Tian (2017)	-	World	2004-2011	996
22	Abdi and Aulakh (2018)	Three-stage model	U.S.	1976-2008	23.474
23	Cuervo-Cazurra et al. (2018)	-	Latin American countries (**)	1995-2012	5.733
24	Sun et al. (2019)	-	U.S.	1995-2015	9.200
25	Tashman et al. (2019)	-	U.S.	1980-2014	377

Notes: (*)Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom and United State; (**)Argentina, Brazil, Chile, and Peru.

Source: Review results.

Table 2: Measurement of the degree of internationalization and firm performance

Degree of internationalization		**Firm performance**	
Measurement methods	Turns	Measurement methods	Turns
Foreign sales (exports)/ Total	15	ROA	15
sales	4	ROS	7
Foreign assets/ Total assets	4	Tobin's Q	3
Number of foreign markets	3	ROE	2
Synthesis of various methods	2	ROI	2
Dummy variable	1	Growth (profits,	2
Foreign profits/ Total profits	1	sales)	8
Foreign employees/ Total	5	Other methods	
employees			
Other methods			

Source: Review results.

Scholars apply various methods to measure the independent and dependent variables in the research models. The independent variable (the DOI) is measured by many methods (Table 2); however, there is no consensus or standard approach to this measurement. Among the measurement methods, the ratio "Foreign (exports) sales/Total sales" is the most commonly used in the studies.

Additionally, according to Marano et al. (2016), firm performance is measured by four methods: (1) accounting-based measures; (2) market-based measures; (3) sales growth; and (4) survey-based measures [22]. The majority of empirical studies apply accounting-based measures to measure the dependent variable - firm performance [2, 5, 23] and ROA is the ratio most widely used by scholars [3, 24, 25].

4.2. Empirical findings

The inconsistent findings on the effect of the DOI on firm performance are shown by scholars. Table 3 presents a summary of empirical findings showing linear (positive) and nonlinear relationship (U-shaped, or inverted U-shaped or S-shaped) of two main variables.

The majority of research results indicate a positive linear relationship between the DOI and firm performance. These studies include Elango and Sethi (2007), Zhou et al. (2007), Hsu and Pereira (2008), Pangarkar (2008), Chen and Tan (2012), Lin et al. (2011), Hsu et al. (2013), Singla and George (2013), Tsao and Lien (2013), Buckley and Tian (2017), Cuervo-Cazurra et al. (2018), Sun et al. (2019) and Tashman et al. (2019) [2, 3, 24-34]. According to scholars, firms seek to take advantage of their competitive advantages by actively exploiting profit opportunities in the foreign markets. Furthermore, doing business in international markets allows firms to develop and to increase the number of customers. This also means that sales from international markets offer new opportunities for obtaining additional revenue sources which feed forward into higher firm performance.

On the other hand, scholars emphasize not only the benefits, but also the costs relating to a higher DOI. That is, internationalization increases the complexity of internal and external processes of firms. The additional demand for resources such as labor, logistics or information processing thus reduces firm performance.

Contractor et al. (2007) investigated the internationalization of service firms and manufacturing firms based in India, providing an additional research context and shedding additional light on the relationship between the DOI and firm performance [17]. They find a U-shaped curve association between the DOI and Indian firms' performance, and the broader result also shows that service sector firms tend to

gain the positive benefits of internationalization sooner than manufacturing ones.

Furthermore, Brock et al. (2006), Garbe and Richter (2009) and De Jong and van Houten (2014) find an inverted U-shaped relationship between the DOI and firm performance of multinational enterprises in Europe [35, 36, 37]. Scholars assert that, at the early stage, the advantages of internationalization lead to positive benefits for firms. These benefits include contact with new markets, an increase of new customers, and the approach of newer capital, technology and knowledge. Based on these, firms may achieve higher profits in international operations. When firms intensify international exposure, the performance decreases due to the growth of coordination and governance costs because international operations are increasingly spread across many various foreign markets. In addition, when firms have extensive international activities, they may face higher rates, various legal requirements, greater political risks, diversity of cultures and institutions, etc. imposing high requirements on communication, controls, and coordination and governance mechanisms. Therefore, the findings of these studies have shown that firm performance will increase when firms participate in expanding international operations; but at a certain threshold, the increased cost of internationalization goes beyond the interests of firms leading to a decrease in firm performance.

Table 3: Summary of empirical findings of the effect of the degree of internationalization on firm performance

	Author(s)	**Analytical method**	**Measurement**		**Main findings**
			Degree of internationalization	Firm performance	
	LINEAR RELATIONSHIP				
1	Zhou et al. (2007)	Three-step mediated regression, SEM	Scaled from 1 to 4	(1) Export growth, (2) Profit growth, (3) Sales growth	(+)
2	Hsu and Pereira (2008)	Two-step regression	(1) FSTS, (2) FATA, (3) FPTP	(1) ROA, (2) ROE, (3) ROI	(+)
3	Pangarkar (2008)	Regression analysis	Foreign sales/ Σ(Foreign sales of each region)^2	(1) ROA, (2) ROS, (3) Sale growth, (4) Profit growth, (5) Foreign profits, (6) Experience, knowledge gained form foreign operations)	(+)
4	Lin et al. (2011)	Generalized least squares	FSTS + FATA + Geographic dispersion	ROA	(+)
5	Chen and Tan (2012)	Ordinary least squares	FSTS	Tobin's Q	(+)
6	Hsu et al. (2013)	Generalized least squares	(1) FSTS, (2) FATA	ROA	(+)
7	Singla and George (2013)	Random effects estimation technique	ESTS	(1) ROA, (2) Tobin's Q	(+)
8	Tsao and Lien (2013)	Regression analysis	(1) FSTS, (2) FATA, (3) The number of countries where a firm operates	(1) ROA, (2) Tobin's Q	(+)
9	Buckley and Tian (2017)	Two-stage least squares	Average of (FSTS + FATA + FETE)	(1) ROA, (2) ROE, (3) ROI	(+)

	Author(s)	Analytical method	Measurement		Main findings
			Degree of internationalization	Firm performance	
10	Cuervo-Cazurra et al. (2018)	Generalized least squares	1/0	EBITDA/Total assets	(+)
11	Sun et al. (2019)	Generalized method of moments	(1) The number of countries where a firm operates, (2) FSTS	ROA	(+)
12	Tashman et al. (2019)	Arellano-Bond regression estimates	FSTS	(1) Average profits/ studio-year, (2) ROS	(+)
	NONLINEAR RELATIONSHIP				
13	Contractor et al. (2007)	Generalized least squares	FSTS	(1) ROA, (2) ROE, (3) ROS	U
14	Brock et al. (2006)	Hierarchical regression analysis	(1) percentage lawyers abroad, (2) The number of countries in which a firm has offices	(1) ROS, (2) Profits per equity partner	∩
15	Garbe and Richter (2009)	Neural networks	1) FATA, (2) FETE, (3) Berry index	ROS	∩
16	De Jong and van Houten (2014)	Weighted least squares	$\frac{1}{2}\left(\frac{N}{\max\{N\}}+\frac{K}{\max\{K\}}\right)^{(*)}$	EBIT/ Total assets	∩
17	Riahi-Belkaoui (1998)	MARS technique	FSTS	ROA	S
18	Contractor et al. (2003)	Generalized least squares	FSTS + FETE + FOTO	(1) ROA, (2) ROS	S
19	Ruigrok et al. (2007)	Ordinary least squares	FSTS	ROA	S
20	Bobillo et al. (2010)	Regression analysis	FSTS	ROA	S
21	Xiao et al. (2013)	Generalized least squares	ESTS	ROS	S
22	Miller et al. (2016)	Regression analysis	FSTS	ROA	S
23	Abdi and Aulakh (2018)	Weighted regression	FSTS	ROA	S
	MIXED RELATIONSHIP				
24	Elango and Sethi (2007)	Regression analysis	FSTS	(1) Gross profits/ Total sales, (2) Operating income/ Total sales	(+), ∩
25	Benito-Osorio et al. (2016)	Regression analysis	FSTS	ROA	S, (-), U

Notes: FSTS: foreign sales/total sales, FATA: foreign assets/total assets, FETE: number of foreign employees/number of total employees, FPTP: foreign profit/total profit, ESTS: export sales/total sales, FOTO: foreign offices/total offices, (*)N: the number of foreign subsidiaries, K: the number of foreign countries, ROA: return on sales, ROE: return on equity, ROI: return on investment.

Source: Review results.

In the studies of Riahi-Belkaoui (1998), Contractor et al. (2003), Ruigrok et al. (2006), Bobillo et al. (2010), Xiao et al. (2013), Benito-Osorio et al. (2016), Miller et al. (2016) and Abdi nd Aulakh (2018) [4, 5, 9, 16, 19, 23, 38, 39]; scholars suggest that an S-shaped curve describes the relationship between the DOI and firm performance of most manufacturing firms in the United States, Japan and Europe. For these studies, that relationship is characterized into three distinct stages. In the early stage of internationalization, firm performance is low, even at a negative level, but it turns positive in the growth stage and declines in the mature stage. These studies suggest that in the early stage, firms face obstacles as well as liabilities of foreignness and simultaneously incur initial learning costs in new markets, resulting in lower performance. Subsequently, when firms adapt to foreign markets, they can exploit their resources more effectively and achieve economies of scale and scope; as well as having the ability to access resources at lower costs leading to higher firm performance. Finally, as firms expand into many foreign markets, they face the pressure of coordinating vast operations because of increasingly complex and fragmented activities, resulting in reduced firm performance.

To appreciate the factors influencing the relationship between the DOI and firm performance, thirteen out of twenty-five studies suggest moderator variables in their research models. The moderator variables revolve around three main groups, namely external factors, home country factors and internal factors. Most moderator variables have positive effects on this relationship; except for moderator variables that have negative effects such as the CEO's age and experience, and nonlinear effects such as cultural diversity and country of origin. Figure 1 shows the general research model, summarized from the studies reviewed.

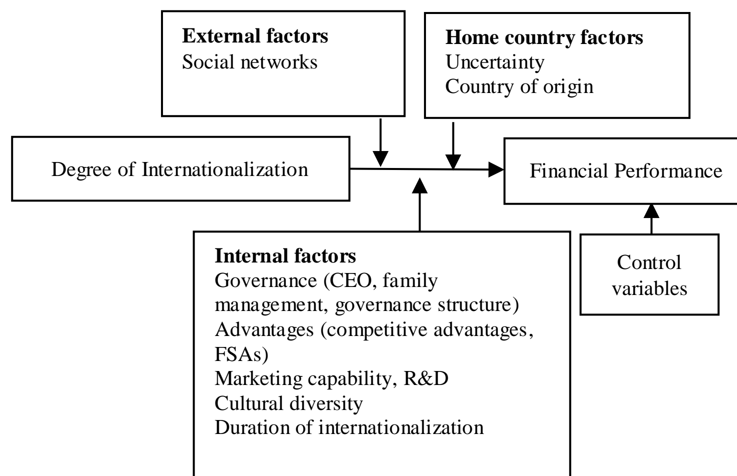

Figure 1: The general research model of the effect of the degree of internationalization on financial performance
Source: Review results.

4.3. Proposed research model

Applying the Internationalization model [14] and the Resource-based view [21] to the context of firms in transition economies like Vietnam's, it is argued that firms' internationalization is deemed as an intervening mechanism, which facilitates transferring the firms' relevant resources abroad. This way generates great opportunities for firms extending business networks and learning experience that improve the productive use of resources, thereby boosting value added and enhancing their performance. To exploit firms' resources productively in foreign markets, through greater international market expansion, together with their own stand-

alone resources and routine capabilities, firms normally use their own recombination skills to recombine firm-specific advantages and location host country advantages. The latter have to fit with such firm-specific advantages. Additionally, firms' development of skills and competencies as well as experiences, and learning from international markets are able to help firms to achieve competitive advantages. These unique ways also create value-added, thus enhancing internationalizing firms' financial performance. By applying this rationale, the following hypothesis is proposed:

Hypothesis 1: The degree of internationalization positively affects financial performance of listed firms on the Vietnamese stock market.

The moderating role of state ownership

We, on the one hand, expect that there is a positive linear effect of the degree of a firm's internationalization on its financial performance. On the other hand, according to the Resource-based view, Barney (1991) argues that firms with rare and inimitable resources are likely to create sustained competitive advantages for themselves [21]. The scholar states that the advantage of firms with state shareholders is financial resources are strongly supported by government—an advantage that other firms do not have. Firms that are state owned are enabled to adopt resources for substantial projects or business opportunities that private firms find hard to acquire. From such a standpoint, we argue that internationalizing firms with high state ownership is likely to achieve higher performance than those with low or non-state ownership. This argument is explained by several reasons. First, listed firms with state shareholders in the Vietnamese stock market are actually co-owned firms, with both state and part private ownership, Therefore, the state owners of the listed firms take in charge clear mandates and responsibilities to pursue the firms' business aims and performance, which are likely to be assigned by government. Moreover, such firms also face additional pressure of monitoring by private co-owners. It thus is likely to increase the propensity of firms to choose value-maximizing projects. Eventually, international strategies are promoted primarily by these pressures on the firm's financial returns.

Second, resources relating to government are likely to allow firms with state ownership to take particular advantage of penetration into international markets. Such firms may possess political specific advantages such as political connections offering privileged access to important information about foreign environments, bilateral trade and investment negotiations as well as other supports. These advantages are not available to firms with non-state shareholders [16]. This usually happens in transition economies [40]. Therefore, co-owned firms' internal resources relating to state ownership not only affect directly the likelihood of such firms' foreign market expansion, but also enhance the acquirement capabilities of firms for gaining benefits from internationalizing activities. Consequently, the second hypothesis is proposed as follows:

Hypothesis 2: The financial performance of internationalizing firms with high state ownership is likely higher than that of firms with low or non-state ownership.

The moderating role of the duality of CEO and the chairman of the board

Boyd (1995) addresses that the duality of CEO and the chairman is able to severely influence firm performance [41]. The reason is that such a position presents a high degree of independence in thought and decisions as he/she is assigned both roles simultaneously. This is likely to limit the amount of external information, which is of great potential to strengthen internationalizing activities. Furthermore, an individual cannot perceive and anticipate uncertainties and risks that always exist in international business environments and directly influence a business decision. Thus, the duality of the highest two positions in firms may impede the efficiency of firms' international management strategy [24]. Additionally, Sanders and Carpenter (1998) stress that in complex environments firms with a high DOI

should have more delegation of authority and the division of responsibility for the purpose of gaining assigned tasks productively and efficiently [42]. Consequently, the separation of CEO and the chairman is likely to bring more benefits for high internationalizing firms. Hence, the third hypothesis is proposed as follows:

Hypothesis 3: The financial performance of high internationalizing firms governed by a CEO with the duality as chairperson of the board is lower than that of those managed by a CEO without duality.

The theoretical model is illustrated in Figure 2.

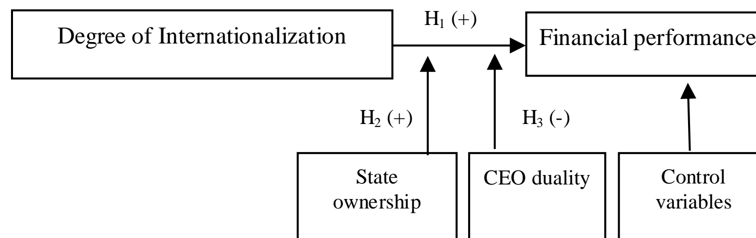

Figure 2: The theoretical model of the effect of internationalization on financial performance
Source: Authors' proposal.

5. Conclusion

Internationalization is a strategy in which firms expand their sales of goods or services across national borders, and penetrate various locations or markets outside their country. International operations can allow firms to achieve several potential benefits. For instance, firms can develop economies of scale, acquire unique knowledge, expand innovative capabilities, exploit business opportunities, increase market power [43], acquire new resources, transfer core competencies to new markets, reduce costs and improve firm performance [44]. However, the internationalization process is accompanied by uncertainty and complexity due to doing business in a different cultural, institutional and competitive market. Therefore, research of the effect of internationalization on firm's financial performance is necessary to enhance the benefits as well as to mitigate the disadvantages of the internationalization process.

By applying a meta-analysis method, this paper has compiled twenty-five studies published in leading management and business journals about the effect of internationalization on firm financial performance. Nevertheless, there is little consensus among scholars about the nature of this relationship; this has been detailed in the above content. In addition, some limitations of the prior empirical studies are shown. Firstly, most studies have not applied theories to justify the relationship between the dependent variables and the independent variables. Secondly, studies are mostly limited to the research contexts of the effect of the DOI on financial performance. Although there are inconsistent findings on such a relationship, scholars almost exclusively argue about the results in their selected research subjects. The expanding comparisons of various or similar research contexts to find out and explain the differences or uniformities of research findings have not been done in detail. Thirdly, when considering firm performance, scholars only refer to the financial aspect but do not mention the operational or overall aspect of firm performance. Finally, there is the possibility of endogenous phenomenon as well as lag variables of the effect of internationalization on financial performance; however, the estimation methods used by scholars have hardly solved this problem.

Therefore, future empirical studies should overcome the mentioned limitations. Firstly, for

a theoretical perspective, apart from that of applying theories to explain the effect of moderator variables, further studies should focus more on theories related to the main variables leading to a harmony between theories and empirical evidence. Secondly, the differences in research results are caused by the benefits and the costs of internationalization; however, they may due to which stages of internationalization of firms are at, and the similar or various research contexts among studies. Therefore, in order to make the empirical findings more convincing, further studies should compare their results with other research contexts to identify the homogeneity in the relationship of the internationalization and financial performance. Thirdly, to clarify the effect of the DOI on firm's financial performance, future studies should expand the operational and overall aspects to assess firm performance beside the financial aspect. Finally, in order to control the endogenous phenomena in the research models and to help the estimation results reach the highest level of reliability, future studies should apply other estimation methods, such as generalized method of moments (GMM).

Although this paper has many limitations and methods of summarizing the documents, through the literature review, it also systemizes the effect of the DOI on firm performance; as well as identifies the limitations in the previous studies and suggests directions for future studies about this relationship.

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