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MOTIVATION OF INTERNATIONALIZATION AND ITS OUTCOME IN THE HOSPITALITY INDUSTRY

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Sujin Song

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The dissertation of Sujin Song was reviewed and approved* by the following:

Seoki Lee
Associate Professor of Hospitality Management
Dissertation Advisor
Chair of Committee

Anna S. Mattila
Marriott Professor of Hospitality Management
Professor-in-Charge of the Graduate Program

Amit Sharma
Professor of Hospitality Management

Donald Hambrick
Evan Pugh University Professor, Smeal Chaired Professor of Management

*Signatures are on file in the Graduate School.

ABSTRACT

Internationalization is generally defined as a firm's strategy to expand its products and services across borders into other countries. As internationalization has been widely implemented throughout the hospitality industry, it is important to investigate what motivates a firm to internationalize its business and how that affects the firm's financial performance. Thus, this dissertation examines the motivation for internationalization and its financial outcome. Specifically, this dissertation conducts two studies: motivations for internationalization, based on the neoinstitutional theory, and outcomes of internationalization, based on the upper echelons theory.

The dissertation employs a hierarchical linear modeling (HLM) to test the proposed hypotheses. First, analyses for the motivation for internationalization (Study 1) finds that firms are demotivated to diversify their international expansion into different countries as their competitors increase the scope of countries in which they operate. However, if a firm perceives its competitors as speeding up the process of internationalization, the firm will also increase the pace of internationalization. In addition, this relationship between competitors and focal firms' internationalization varies according to environmental conditions (i.e., dynamism, complexity, and munificence).

Second, analyses of the financial outcomes of internationalization (Study 2) find that the market holds positive perceptions of a firm with a high proportion of international properties, business in a wide scope of countries, and a rapid international expansion strategy. However, the effect of internationalization on operational

performance (return on assets and international returns) found inconsistant. Moreover, the study finds that the performance of internationalization is contingent on the various characteristics and experiences of top executives (e.g., heterogeneous nationality, functional background, international experiences, operating ability, and external ties).

The investigation into the motivation for internationalization in the hospitality industry contributes to the theoretical knowledge about how external factors affect a focal firm's internationalization strategies by supporting the neoinstitutional theory. The findings of the study contribute to the hospitality management literature by emphasizing the importance of the relative strategic actions taken by competitors in the market and how the impact of competitors' actions changes depending on environmental conditions. Also, the investigation of the financial outcomes of internationalization contributes to the hospitality management research by opening the eyes of researchers to the importance of top managers in an organization, supporting the upper echelons theory.

The studies further indicates several practical implications for managers and investors in the hospitality industry. From the findings of this dissertation, managers would have a better understanding of how their competitors' strategies and the environment can affect their internationalization strategy. In addition, the findings of the studies may help managers or shareholders to improve their performance by considering executives who have characteristics and experience better suited to international operations.

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CHAPTER 1

INTRODUCTION

This chapter sets the scene for the dissertation. Section 1.1 provides a brief introduction to and discussion of the topic. This is followed by the research objectives in Section 1.2 and the significance of the research in Section 1.3. Lastly, Section 1.4 features brief definitions of terminology used throughout the dissertation.

1.1 Statement of the Problem

Internationalization is generally defined as a firm's strategy to expand its products and services across the borders of countries (Hitt, Ireland, & Hoskisson, 2007). The rapid process of the globalization of business and intense competition in the environment have encouraged firms to pursue alternative opportunities outside their home countries. Acknowledging the important role of the strategy of internationalization, much attention has been paid to the question of why firms pursue a strategy of internationalization (e.g., Eroglu, 1992; Hua & Upneja, 2007; Lee et al., 2016; Sun & Lee, 2013; Teare & Olsen, 1992) and whether they can achieve competitive advantages and successful outcomes through internationalization (e.g., Collins, 1990; Grant et al., 1988; Hua & Upneja, 2011; Lee, 2008; Lee et al., 2011; Lee et al., 2014; Vermeulen & Barkema, 2002).

In explaining the motivation for internationalization, many researchers have contended that firm-specific factors are non-trivial, thus taking a resource-oriented view that emphasizes the internal aspects of an organization (e.g. Barney, 1991; Hambrick & Mason, 1984; Kogut & Zander, 1992; Rumelt, 1984; Wernerfelt, 1984). The evidence

from previous literature showed that firm-specific factors such as firm size (Brouthers, 2002; Eroglu, 1992), top management's risk tolerance (Eroglu, 1992; Santos & García, 2011), and executives' demographic characteristics (Herrmann & Datta, 2005; Lee et al., 2016, Tihanyi et al., 2000) affect the decision to pursue internationalization.

On the other hand, following the market-oriented view (e.g. Bain, 1956; Caves, 1980; Mason, 1939; Porter, 1981), some research on the determinants of internationalization has rested on the position that the nature and characteristics of the external environment influence a firm's strategic decision-making. Aligning with this perspective, some internationalization studies have investigated external macroeconomic factors as determinants of decisions to expand into international markets. That is, environmental factors, such as growth opportunities and plentiful resources overseas, motivate firms to make a decision to pursue an internationalization strategy (Bendall, 1989; Thompson & Knox, 1991; Williams, 1992), while domestic market conditions, such as limited growth opportunities, severe competition, market saturation, and regulations (Hamill & Crosbie, 1988; Thompson & Knox, 1991; Treadgold, 1991; Williams, 1992), drive firms to seek opportunities beyond their domestic markets.

A review of the previous literature on the determinants of internationalization reveals that the majority of studies have focused on either internal factors or macroeconomic factors of a focal firm. However, among various market-oriented views, only a few internationalization studies have considered the competitive relationships between organizations, followed by the neoinstitutional theory, a concept developed by DiMaggio and Powell (1983). The neoinstitutional theory suggests that the institutional systems surrounding organizations shape a firm's behaviors and fate. Specifically, firms

respond to institutional pressures created by social norms and legitimacy and tend to imitate other organizations' strategies, a circumstance called "mimetic isomorphism." Traditionally, institutional researchers evaluated external institutions based on regulatory structures and rules. However, researchers have expanded their views to include competitors within the same industry, suggesting that the collective actions of competitors can be perceived as a legitimizing force and influence a focal firm's strategic behaviors. From this perspective, Hessels and Terjesen (2010), for example, found that the international expansion of an organization is affected by the internationalization strategies of other firms in the same industry. Li and Ding (2013) also demonstrated that a firm's intention to make a decision on internationalization is positively influenced by the level of isomorphic pressure, as measured by its competitors' levels of internationalization. These previous studies argued that as customers and competitors become more global, firms encounter competing isomorphic pulls from global fields (Gimeno et al., 2005) by identifying themselves with other actors in the industry. This implies that the greater the isomorphic pull from the global organization field, the more likely the firm is to expand its operations abroad. Therefore, according to the neoinstitutional theory and evidence in the previous literature, this dissertation argues that internationalization may be determined by isomorphic pressures derived from the institutional environment.

In particular, hospitality firms such as hotels and restaurants are known to be particularly sensitive to economic conditions and face highly competitive and ever-changing business environments (Guillet & Mattila, 2010) in which a firm needs to aggressively position itself against another in order to avoid becoming the laggard in the

market (Aveni, 1994). Thus, the strategic actions of competitors would play an important role as an institutional pressure to a focal firm, especially in the hospitality industry. Based on the neoinstitutional theory, this dissertation suggests that a hospitality firm positions itself as a part of a global organization as it observe its competitors in international markets. Such isomorphic pressure from competitors provides legitimacy within the industry and motivates a firm to follow its competitors.

However, despite the industry characteristics and possible impacts of competitors' actions on a focal firm's strategy, internationalization researchers in the hospitality industry have paid less attention to the institutional pressures generated by competitors. Therefore, Study 1 in this dissertation suggests that (1) institutional pressure regarding competitors' internationalization strategies affects a focal firm's internationalization decision, and (2) environmental factors (e.g., dynamism, complexity, and munificence) influence the relationship between institutional pressures and a firm's internationalization strategy. The detailed rationales behind these proposed relationships are discussed in Chapter 2.

While there are various benefits of internationalization, they are accompanied by costs and risks in managing international operations (Mitchell & Yeung, 1992). The prominent benefits of internationalization are the achievement of economies of scale and scope based on integration, the transfer and internalization of intangible assets, and innovativeness (Gupta & Govindarajan, 2000) that would result in enhanced returns for the firm (Kim, Hwang, & Burgers, 1993; Lu & Beamish, 2004). However, the management of multinational firms and their extensive resources is often more complex and demanding than the management of firms whose operations are largely restricted to

within a domestic location (Geringer et al., 1989). Complexities involved in internationalization are typically associated with two factors (Sanders & Carpenter, 1998): 1) greater diversity of cultures (Gomez-Mejia & Palich, 1997; Hofstede, 1980), customers, competitors, policies, and regulations (Brahm, 1994), and 2) a significant amount of pressure and challenges that international firms have in reconciling a complex system while developing a sense of community within a global environment (Bartlett & Ghoshal, 1989).

In spite of the significance of internationalization both in the literature and in practice, studies on its effects on firm performance have yielded inconsistent findings. Some previous studies found a destructive effect of internationalization on firm performance (Carter, 1997; Collins, 1990; Go & Christensen, 1989; Kumar, 1984; Michel & Shaked, 1986; Shaked, 1986, Siddharthan & Sanjaya, 1982), while others found a positive link between internationalization and firm performance (Chapdelaine & Kindelan, 1995; Elmont, 1995; Grant, 1987; Grant et al., 1988; Lee et al., 2014; Masur, 1997; Sadi, 1997).

Inharmonious results on the relationship between internationalization and firm performance may be due to the heterogeneous products and services each industry produces. According to the categorization of international firms by Bartlett and Ghoshal (1989) and Kobrin (1991), hospitality firms (e.g., hotels and restaurants) are considered "multinational firms," which have distinctive international forces of a strong local presence and a high level of local differentiation, while non-service firms (e.g., those maufacturing automobiles, computers, engines, and other goods) have relatively standardized market demands and products globally (e.g., Birkinshaw, Morrison, &

Hulland, 1995; Kobrin, 1991). Thus, I posit that the internationalization strategy of hospitality firms could be dissimilar to that of non-service firms.

In addition, the inconsistent findings on the effect of internationalization on firm performance may exist because maximizing the benefits of internationalization is highly contingent on a slew of industry- and firm-specific factors. For example, to successfully implement internationalization strategies, firms need to understand different industrial structures and competitive environmental factors (Birkinshaw et al., 1995; Kobrin, 1991), consider appropriate processes for expansion in or entry into a new market (Vermeulen & Barkema, 2002), and develop organizational capabilities (Frynas et al., 2006).

In the wake of the behavioral theory of the firm (Cyert & March, 1963) and strategic choice theory (Child, 1972), the upper echelons theory suggests that top executives' cognitive boundaries and limitations (i.e., limited perceptions, biased interpretations, etc.) lay the foundation for the firm's strategic choices (Finkelstein & Hambrick 1996; Hambrick & Mason, 1984). Hence, when a firm becomes involved in highly uncertain environments, such as international markets, its organizational behaviors and outcomes are likely to be affected by top executives' characteristics and experiences. Supporting this upper echelons theory, scholars in the areas of strategic and leadership management have suggested that chief executive officers (CEOs) or executives in top management teams (TMTs) wield considerable influence on firms' organizational outcomes and shape the fates of firms (Hambrick & Mason, 1984; Hambrick & Quigley, 2014).

Despite the increasing interest in and emphasis on top managers in the area of strategic management, a limited number of studies has considered the upper echelons

perspective when investigating the relationship between internationalization and firms' financial outcomes, especially for the hospitality industry. Top executive managers in hospitality firms, as characterized by high market growth, demand instability, and product differentiability, have a great degree of managerial discretion compared to their counterparts in other industries (Finkelstein et al., 2009). Thus, with many possible courses of action that top executives can take, top executives in the hospitality industries may have a significant influence on the outcome of internationalization.

Therefore, Study 2 in this dissertation examines (1) the relationship between internationalization and firm performance. Specifically, based on the upper echelons theory, this dissertation investigates (2) the relationship between internationalization and firm performance, moderated by top executives' characteristics and experiences (i.e., nationality, functional background, international experience, operating ability, and external ties). The detailed rationales behind these proposed relationships are discussed in Chapter 2.

1.2 Statement of Purpose and Research Objectives

This dissertation aims to answer the question of how competitors and environment affect a firm's motivation for internationalization, incorporating an institutional perspective. Further, this dissertation will investigate the effect of internationalization on firm performance contingent on the characteristics of the top management team (or chief executive officer), based on the upper echelons theory.

Specifically, the research objectives of this dissertation are: (1) to examine how an institutional pressure (i.e., competitors' strategies) affects a firm's motivation for

internationalization, (2) to examine how environmental conditions moderate the relationship between competitors' internationalization strategies and a focal firm's internationalization strategy, (3) to explore the effect of internationalization on firm performance, and (4) to investigate how the top management team's characteristics (i.e., functional background, international experience, diversity in nationality, CEO operating ability, CEO social ties) moderate the relationship between internationalization and firm performance.

1.3 Significance of the Study

This dissertation contributes to the internationalization literature by investigating its antecedents and outcomes based on both market- and resource-oriented views. Specifically, considering the historical conflicts in the strategic management literature between the market-oriented perspective (e.g., industrial organization economics, the structure-conduct-performance paradigm, and institutionalism) and the resource-oriented perspective (e.g., the resource-based view, the knowledge-based view, the upper echelons theory), this dissertation attempts to reconcile both perspectives to explain internationalization, which has received little consideration in the previous strategic management literature. In addition, by investigating both motivations and outcomes, this dissertation provides a more comprehensive understanding of the internationalization strategy.

Specifically, by demonstrating the motivation for internationalization based on the neoinstitutional theory, this study attempts to show how institutional pressures (i.e., competitors' internationalization strategies and environmental factors) affect a hospitality

firm's internationalization strategy. This study aims to discover the role of neoinstitutional pressures that encourage or force a firm to initiate a strategy of internationalization, especially when firms face different environmental conditions, such as environmental dynamism (how fast the environment changes), complexity (how complex the environment is), and munificence (how much the environment supports a firm's growth). This investigation will add value to the internationalization literature by accentuating the role of the external institutional environment in understanding firms' strategic behaviors regarding internationalization.

Further, according to the resource-oriented view, numerous studies have investigated the effect of internationalization on firm performance (e.g., Carter, 1997; Chapdelaine & Kindelan, 1995; Elmont, 1995; Go & Christensen, 1989; Kumar, 1984; Lee et al., 2014; Masur, 1997; Michel & Shaked, 1986; Sadi, 1997; Shaked, 1986, Siddharthan & Sanjaya, 1982). Also, a number of contingent factors, such as economic development in foreign countries (Collins, 1990; Grant, 1987), intangible assets (Berry & Kaul, 2016; Lu & Beamish, 2004), and product scope (Grant et al., 1988), have been considered as moderators to better explain the relationship between internationalization and firm performance. However, little of the literature incorporates the upper echelons theory as a contingent factor in explaining the relationship between internationalization and firm performance. For example, Carpenter and Fredrickson (2001) found that the demographics of top executives played a significant role in firms' global posture, while Nielsen (2010b) suggested that international diversity among top managers positively moderates the link between internationalization and firm performance.

Therefore, by considering the various aspects of top executives as moderators in examining the effect of internationalization on firm performance, this dissertation expands and enriches the internationalization literature. Also, this dissertation will be an opportunity to show that the characteristics and capabilities of top executive managers have a significant impact on the outcomes of internationalization in the hospitality industry, an industry in which top executive managers have a high degree of managerial discretion (Finkelstein et al., 2009).

The findings of this dissertation will also provide practical implications for business managers and investors. The investigation on the motivation for internationalization can provide industry managers with information on how their firms may be influenced by institutional structures, such as other organizations' strategies and environmental conditions. The examination of the moderating effect of environmental factors can provide managers with a better understanding of internationalization decisions that align with their external institutional context. The investigation of the effect of internationalization on firm performance also offers managerial implications for practitioners. For those firms pursuing expansion into the international market, in particular, the findings of this study will help them to better understand which profiles or characteristics of executives should be considered in order to maximize firm performance in the international market.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This section reviews relevant theories and literature on the motivations for internationalization and the leadership attributes that may affect the internationalization-performance relationship. First, based on the previous literature, this section discusses the characteristics of internationalization in the hospitality industry. Second, based on the evolution of strategic management theories and internationalization theories, this section reviews the literature on why firms go abroad from an institutional perspective. Third, this section reviews previous literature which examined the relationship between internationalization and firm performance, and it highlights the need for the contingent perspective to explain the relationship between internationalization and firm performance. Fourth, this section emphasizes the importance of firm leadership and reviews the literature specifically on five factors according to the upper echelons theory, which are possible contingent factors for the relationship between internationalization and firm performance. Finally, this chapter ends with a summary of hypotheses and the conclusion.

2.2 Internationalization of Hospitality Firms

Considering the heterogeneity across firms and industries, the process and outcomes of internationalization could vary according to the characteristics of the goods and services each firm and industry produce. Therefore, supporting the propositions by

Bartlett and Ghoshal (1989) and Kobrin (1991), I suggest that the strategies and organizational responses of each industry would differ in the process of internationalization.

Using a clinical approach, Bartlett and Ghoshal (1989) studied nine companies that expanded their businesses to global markets, and they developed a theory of three types of forces in the international environment: 1) global integration, 2) local differentiation, and 3) worldwide learning. According to Bartlett and Ghoshal (1989), "global integration" is important for a centralized organization to achieve efficiency. For example, the world's demands should be homogenized (e.g., consumer needs for a computer or a semiconductor) and a firm should capture global-scale economies to be competitive through restructuring configurations. "Local differentiation" is vital for those organizations that manage multiple subsidiaries in multiple nations. Some consumers prefer locally customized products and services rather than standardized ones. Thus, for firms operating in industries where this is the case for their products, it is important to understand differences among international markets, such as customer characteristics and expectations, local technological developments and distribution channels and media. In addition, worldwide learning would be crucial, especially for those organizations whose structure can leverage learning by adapting the parent company's expertise to its subsidiaries in international markets.

Considering these forces in internationalization, Bartlett and Ghoshal (1989) identified three types of organizations that operate in the international environment: 1) a global firm, for which global integration is the key force and the goal is to gain cost advantages from centralized global-scale operations; 2) a multinational firm, for which

local differentiation is the central force and is required for a strong local presence with a high degree of responsiveness to national differences; and 3) an international firm, which is derived from global learning and in which knowledge-interaction exists between the parent company and foreign subsidiaries to improve capabilities and the ability to adapt. Furthermore, due to the growing complexities of managing international business, they cautioned that no specific organization type is the best, and they proposed that companies can benefit by combining the elements of the three organization types, which is defined as a transnational company.

Advocating Bartlett and Ghoshal's (1989) categorization of international organizations, Kobrin (1991) also argued that scale economies and technological intensity are key determinants of global integration, especially for manufacturing, such as the automobile, computer, engine, and other industries. Moreover, according to Birkinshaw et al.'s (1995) study, global integration is more appropriate in industries where economies of scale and standardized market demand across countries are possible and valued, such as semiconductors, audio and video equipment, and others. These studies suggest that internationalization through global integration is suitable for manufacturing and technology-heavy industries, but it may not be appropriate for the hospitality industry.

By 2015, the value of services as a portion of GDP had reached 69 percent of the global economy, and 47.0 percent and 73.5 percent for developing and developed countries, respectively (World Bank, 2015). Furthermore, the hospitality industry has played an integral role in the global economy, as consumer confidence in household spending on services and experiences had significantly increased by 2015 (Deloitte,

2017). Despite the importance of the hospitality industry in the international economy, the majority of internationalization studies have focused on the global integration of manufacturing firms with standardized strategies, uniform demands, and cost efficiency. The hospitality industry has not been actively reflected in internationalization studies (Chen, 2006; Contractor et al., 2003). The internationalization research in the hospitality context is important considering the hospitality industry's high degree of sensitivity to many factors in international markets. The differences that exist among countries have continued to be profound and a point of sensitivity for the international hospitality business. Examples of the differences between countries include cultural attributes (e.g., language, social norms), consumers' product preferences, governments, and economic differences, among others. These differences among countries, in particular, can affect hospitality industries developing internationalization strategies (Carpar & Kotabe, 2003; Chen, 2006; Contractor et al., 2003).

Unlike the international products of manufacturing firms that can leverage costs from diverse countries and can be standardized regardless of market (e.g., computer, electronics, automobiles, etc.), the products of hospitality firms are fundamentally different in terms of the simultaneity of production and consumption, and customization (Boddewyn et al., 1986; Buckley et al., 1992). Thus, global integration, which requires firms to have standardized customers' demands and cost efficiency in order to find success in international markets, would not be an appropriate strategy for hospitality firms. Hospitality firms experience difficulties in exporting their products and services and integrating global markets because they must provide their products at the site of local markets (Erramilli, 1990). Also, the barriers to entry for international markets are

onerous for hospitality firms because of the lack of local knowledge and different consumers' needs and demands (Contractor et al., 2003). Indeed, it is important for hospitality firms to understand local demands and partner with local entities in order to compensate for their deficiency in local knowledge and cost efficiency (Erramilli, 1990). Thus, hospitality firms are likely to benefit more by initiating local differentiation. Thus, hospitality firms would be categorized as "multinational firms," according to Bartlett and Ghoshal (1989), which are required for a strategy of local differentiation. In other words, they need to customize their products and services to meet various customers' preferences in international or local markets. Consequently, by applying Bartlett and Ghoshal's (1989) concept of "multinational firms" to hospitality firms and considering the characteristics of the hospitality industry, this dissertation investigates the motivation for and outcomes of internationalization, focusing on hospitality firms.

2.3. Guiding Theories in Strategic Management

A glance at the many articles and textbooks by strategic management researchers reveals a wide range of competing perspectives. Whether direct or indirect, the bottom line of these views generally concerns the question of why certain firms perform better than others and how they achieve sustainable competitive advantages over their competitors. Hoskisson et al. (1999) expressed the development of strategic management theories as a swinging pendulum, demonstrating that the views in strategic management oscillate between a firm's external and internal factors. The strategic management literature has conceptualized these two factors (external and internal) into two prominent perspectives: market-oriented vs. resource-oriented (Knecht, 2013).

The market-oriented view holds that the external environment and industry structure impact the strategic choices and performance of a firm (McGahan & Porter, 1997). For example, industrial organization (IO) economics influenced by Mason (1939) and Bain (1956) focus on how market competition, industry structure, and boundaries between firms and markets affect firms. Based on IO economics, the structure-conduct-performance (SCP) paradigm became popular in the early years, between the 1940s and 1960s. This postulates that industry *structure*, such as supply and demand, competitors' strategies, and entry/exit barriers in the market, determines the strategies of firms in a certain industry, or *conduct*, such as pricing, product, and investment decisions, which in turn affects the firm's *performance.* Overall, the SCP paradigm attempts to explain and predict the performance of a firm as a result of industry structure and conduct. In addition, following the IO economic perspective, Porter (1979) developed a theory of five forces that shape firms' strategies (e.g., threat of entry by potential competitors and substitute products, the bargaining power of suppliers and consumers, intensity of rivalry in the industry), and argued that these forces determine the status of competition and attractiveness of the industry.

In contrast, the resource-oriented view explains that firm-specific resources, knowledge, and capabilities contribute to firm performance. By criticizing the market-oriented view, which neglects heterogeneity among firms, scholars shifted their interest to the internal aspects of the firm, which gave rise to the resource-based view (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984), knowledge-based view (Kogut & Zander, 1992), and theory of strategic leadership (Hambrick & Mason, 1984). Following the groundbreaking work of Penrose (1959), who showed that a firm's distinct characteristics

originate from its heterogeneous resources, this stream of resource-oriented view places an emphasis on a firm's resources and capabilities as factors critical to a competitive advantage. In the seminal paper of Wenerfelt and Rumelt (1984), the foundation for the current understanding of the resource-based view of the firm was established. Building on the work of Wernerfelt (1984), Barney (1991) identified four characteristics of resources that firms need to have in order to achieve sustainable competitive advantage: valuable, inimitable, rare, and not substitutable (VIRN) resources. In other words, the resource should be valuable for a firm to utilize opportunities or mitigate threats; the resource should be rare in order to prevent strategic parity from competitors; the resource should be inimitable; and the resource should be not substitutable through the historical context or social complexity of a firm in order to conceal the valuable resources from outside observers. In addition, by translating the concept of a firm's valuable resources, Hambrick and Mason (1984) developed the upper echelons theory that links the resource-based view to top corporate executives.

However, as is often the case with competing perspectives, the distinction between market- and resource-oriented views can be exaggerated. In fact, an integration of the two views may provide a better and more comprehensive understanding of a firm's strategy and its outcomes. For instance, the resource-oriented view maps out the strengths and weaknesses of a firm, while the market-oriented view highlights a firm's opportunities and threats in the competitive environment (Barney, 1991). Considering this integrative perspective, this dissertation explains the motivation for internationalization based on the market-oriented view (e.g., competitors' strategies, environmental dynamism, and market competition) and assesses the outcome of

internationalization based on the resource-oriented view (e.g., characteristics or capabilities of the firm's top executives).

2.4 Historical Development of Internationalization Research

While internationalization research has had much of a history, the first formal investigation of this nature can be traced back to the classical economic perspective, the theory of absolute advantage (Smith, 1776). Smith (1776) stated that the opportunities for trade occur when a country offers an absolute advantage to firms for producing certain goods and services. This theory was supported and refined by Ricardo's (1817) theory of comparative advantage, which states that firms produce their goods and services in, and export them to, a country where they can hold an advantage and import goods from a country where they have a relative disadvantage. This Ricardian theory of comparative advantage was later supported by Factor-Proportion-Endowment theory (Heckscher & Ohlin, 1933; Samuelson, 1948), which proposes that countries produce and export goods and services that utilize their enormous existing resources while importing goods and services that require resources the country has in short supply. However, the theories above have been criticized for their restrictive assumptions, for example, atomistic competition, the absence of risk, free technology, and instant transfers among countries (Dunning, 1993).

Accordingly, economists in the 1950s developed a perspective of market imperfections. By drawing from IO economics (Bain, 1956; Mason, 1939), Hymer (1960) suggested the theory of foreign direct investment (FDI), which emphasizes the role of market imperfections. That is, if a firm is able to transfer and utilize its assets and skills

in international markets (e.g., economies of scale, business diversification, and network establishment), it can achieve greater market power and alleviate market competition.

Another economics-based theory, the product life cycle theory, emerged in the 1960s and argues that a firm's internationalization is similar to the product life cycle (Vernon, 1996). This theory advances competitive imperatives for international strategies, which are product innovation, close proximity to the market, and cost-based competition (Buckley, 1999).

Moreover, building on the transaction cost economics (TCE) theory that firms are efficient coordination mechanisms (Coase, 1937), scholars have offered a proposition that the structure and foreign market entry mode of a firm are determined based on considerations for efficiency (Erramilli & Rao, 1993; Williamson, 1975). This theory is further advanced by the internalization theory, which suggests that a firm internally coordinates the economic activities for growth when it is more costly to produce through the external market (Buckley & Casson, 1976; Casson, 1979; Rugman, 1981).

However, Dunning (1993) argued that any individual theories cannot explain all aspects of international production at the firm, industry, and country levels. Therefore, he brought these theories together and developed the eclectic paradigm, which suggests the mode and pattern of the international expansion of firms. The eclectic paradigm suggests three factors a firm needs to consider to insure that pursuing internationalization is beneficial: comparative advantages, ownership advantages, and internalization advantages.

Subsequent theories relevant to internationalization have moved from the economic to the behavioral. For example, Johanson and Wiedersheim-Paul (1975)

described patterns of internationalization based on "psychic distance," which suggests that firms initially start their international operations in countries with similar culture, language, and level of industrial development, and favorable political relations. Based on the Penrosian theory of the growth of the firm (Penrose, 1959) and behavioral theory of the firm (Cyert & March, 1963), Johanson and Vahlne (1990) also developed the Uppsala/Stage model of internationalization, which suggests that internationalization is a learning and commitment process and, as such, firms gradually increase resources and commitment in each country as they accumulate international experience. Acknowledging the importance of networks, some researchers also view internationalization as a network strategy in which a firm can use its foreign partners and develop market positions (Johanson & Mattson, 1992). This perspective holds that the survival of a firm depends on its resources (Pfeffer & Salancik, 1978).

A review of the literature indicates that internationalization research in past decades has primarily consisted of 1) firm-level investigation, such as Uppsala/Stage model (Johanson & Vahlne, 1977) and eclectic paradigm (Dunning, 1977), 2) market-level investigation, such as the internalization theory (Buckley & Casson, 1976) and transaction cost economics (Coase, 1937; Williamson, 1975), and 3) relationship-based investigation, such as the network perspective (Johanson & Mattson, 1992).

Summarizing the literature above, early internationalization theories focused on economies of scale, business efficiency, and diversification that can be achieved by internationalization. However, the later literature tended to emphasize the resources and networks that firms can acquire by investing in international markets. However, despite the deluge of research on internationalization, most previous internationalization

literature and theories have focused on the internal resources at the firm level and external factors at a macroeconomic level. Only a few studies have considered strategic influences from competitors and the characteristics of top managers, supporting the neoinstitutional theory and upper echelons theory in explaining internationalization, especially in the hospitality context. Institutional pressures, such as competitive or market pressures, influence ecological dynamics of firms (DiMaggio & Powell, 1983). Also, top executive managers in a firm have a quantum effect on the firm's strategic directions and its outcomes (Hambrick & Mason, 1984; Finkelstein et al., 2009). Therefore, to fill the gap in the hospitality management literature, this dissertation proposes to investigate the motivation for internationalization based on the neoinstitutional theory and to examine the outcome of internationalization based on the upper echelons theory. Specifically, institutional pressures generated by a firm's competitors' strategies and the external environment may motivate a firm to invest in international markets, and the degree to which a firm generates profits from internationalization may depend on the characteristics or capabilities of its top executives.

2.5 Study 1: Motivation for Internationalization

2.5.1 Neoinstitutional theory

The rapid international expansion of firms has drawn much research attention in the past two decades, and few scholars have considered the neoinstitutional perspective to explain the motivation behind the internationalization strategy (Gammeltoft et al., 2010). Generally, there are two views regarding the institutional theory: one with an economic orientation called "institutional economics" (North, 1990; Coase, 1998), and another with a sociological orientation called "neoinstitutional organization theory" (DiMaggio & Powell, 1983). Although both perspectives emphasize the influence of the institutional environment on a firm's strategy, their specific focuses are different. The former focuses primarily on the efficient design and adaptation of the macro-level institutional environment, such as government policies and regulations, while the latter is concerned with the influence of "*isomorphic pressure*," such as modeling behaviors on others from shared norms and values in the external framework.

The foundation of the neoinstitutional theory by Meyer and Rowan (1977) and DiMaggio and Powell (1983) is based on the premise that organizations encounter pressures from the institutional environment and respond to or adopt the environmental structures and processes as a socially accepted and appropriate organizational choice. Meyer and Rowan (1977) suggested that in modern societies the myths of generally accepted structure and procedure provide two key properties. First, they are rationalized and objective prescriptions that are justified in various social purposes. Second, they are taken for granted as legitimate regardless of their impact on organizational outcomes

because they are widely institutionalized and beyond individual or organizational discretion.

Built upon Meyer and Rowan's (1977) general framework of the institutional theory, DiMaggio and Powell (1983) further developed the concept of "*institutional isomorphism*," the process by which organizations are likely to adopt the same structures and procedures in response to institutional pressures. They insisted that institutional isomorphism makes firms resemble each other apart from its outcomes. This bureaucratization or any other standardization practice occurs due to their needs for institutional legitimacy. DiMaggio and Powell (1983) identified three mechanisms that incur isomorphism: coercive, mimetic, and normative isomorphism. *Coercive isomorphism* stems from both formal and informal pressures from other organizations and cultural expectations in society. *Mimetic isomorphism* results from the uncertainty in identifying the best course of action; it is a powerful force that encourages a firm to model itself on others. *Normative isomorphism* primarily comes from professionalism; that is, institutional legitimacy is supported by collective authority and professionals worldwide (Meyer & Rowan, 1977).

Both of these institutional perspectives (institutional economics and neoinstitutional organization theory) work toward explaining a firm's motivation for pursuing an internationalization strategy. The majority of internationalization studies have adopted the institutional economics view, which investigates the impact of the country-level framework, such as government policies, supportive legal systems, and regulations (e.g., Boisot & Meyer, 2008; Buckley, 2007; Luo et al., 2010). However, relatively few studies have incorporated a neoinstitutional perspective to investigate how

a firm is motivated by shared norms and values. Studies by Hessels and Terjesen (2010) and Li and Ding (2013) are among the few to examine the internationalization strategy from the sociological view of neoinstitutional theory.

In particular, the hospitality industry is known for being highly sensitive to economic conditions due to its heavy reliance on consumers' disposable income and its place in a highly competitive and ever-changing business environment (Guillet & Mattila, 2010). Thus, the environment of the hospitality industry would require hospitality firms to develop an appropriate strategy to actively respond to environmental changes and aggressively position themselves against one another. However, despite these particular characteristics of the industry and the importance of active responsiveness amid the changing business environment, there is limited knowledge in the hospitality literature on how neoinstitutional pressures generated by competitors and the business environment affect a focal hospitality firm's internationalization decision.

Therefore, considering the significance of the neoinstitutional pressures on firms' internationalization strategies and the scarcity of literature in this respect, this dissertation purposes to fill the gap by exploring the effect of isomorphic pressures on firms' internationalization strategies.

2.5.2 Competitors' involvement in internationalization

According to the neoinstitutional theory, firms' strategic decisions are based less on technical or economic criteria than on what is acceptable and legitimate in a certain environment. Firms typically move toward common structures and strategies due to coercive, imitative, and normative pressures (DiMaggio & Powell, 1983). Therefore,

based on the tenets of neoinstitutional theory, internationalization as an important organizational strategy in an era of globalization would not be determined only by the economic efficiency perspective, but also by isomorphic pressures derived from the institutional environment.

In the previous literature, internationalization researchers have explored external institutions such as policies and regulations at a country level. However, it is necessary to consider other firms in the same industry because those firms in the same business field are likely to identify other actors in the local economy and have high levels of isomorphism (Davis et al., 2000). Aligning a firm's structure or strategies with other organizations in a given environment helps a focal firm to obtain legitimacy, which brings social acceptance and sustainability in a competitive environment as a result (Scott, 2001; Suchman, 1995).

In the context of internationalization, the influence of industry rivals is evident in both legitimacy- and information-related considerations. Firms are likely to imitate competitors' international expansion strategies because internationalization involves high levels of uncertainty and risk, and firms are likely to manage this uncertainty by adopting their competitors' behaviors (Li & Ding, 2013). If competitors engage in international expansion, there would be pressure on a focal firm to follow its competitors' practices in order to achieve legitimacy, even if the firm faces internal opposition from some managers or the board of directors, or even if it would result in a negative performance (Barreto & Baden-Fuller, 2006). Barreto and Baden-Fuller (2006) argued that mimetic isomorphism is different from economic rationality and is the normatively rational motive, which may lead firms to make inappropriate strategic decisions in terms of

profitability. In their study of bank branching decisions, they found that banks imitate their competitors' branching strategies to both attractive and unattractive locations, implying that mimetic isomorphism is derived from legitimacy pressures rather than being an economically rational decision made by an organization.

Considering hospitality firms are multinational firms, according to Bartlett and Ghoshal's (1989) categorization, they are required to be present in each local market and customize their products and services to meet local consumers' needs and demands. Therefore, it is critical for hospitality firms to acquire valuable information on each local market to reduce market uncertainties and develop an appropriate strategy. In addition, the hospitality industry has been characterized as being highly volatile due to economic conditions, having high market competition (Ottenbacher & Harrington, 2009), and bearing significant risks when expanding into international markets (e.g., cultural, financial, economic, and political risks). Thus, instead of being a first-mover expanding into international markets, hospitality firms are likely to observe their competitors' actions in order to position themselves in the market and avoid high risk. Based on neoinstitutional theory, as a firm acquires competitors' internationalization strategies, such as the number of international subsidiaries (Lee et al., 2011; Vermeulen, & Barkema, 2002), dispersion across nations (Song et al., 2017), and speed of international involvement (Vermeulen & Barkema, 2002), they may perceive those competitors' strategies as legitimate and set them as benchmarks.

In finding the role that competitors' internationalization plays in a focal firm's internationalization, competitor identification would be an important issue. Even within industries, firms vary in defining their competitors (Porac & Thomas, 1990). In the

previous research, there are two approaches to competitor identification: a supply-based approach largely developed in the strategic management literature (e.g., Chen, 1996; McGee & Thomas, 1992; Thomans & Venkatraman, 1988), and a demand-based approach in the marketing literature (e.g., Carpenter et al., 1988). The supply-based approach identifies competitors based on their attributes, such as firm size, technology, strategies employed, and products and services, among others. The demand-based approach defines competitors from a consumer's perspective. Since this dissertation rests on the strategic management perspectives to investigate a firm's internationalization, I define the competitors based on the supply-based approach.

With this line of thought, the first hypothesis suggests that a firm is more likely to become involved in international markets as their competitors increase their own involvement in internationalization. That is, a focal firm would follow its competitors' internationalization strategies, such as degree, dispersion, and speed of international expansion.

Hypothesis 1: The competitor's involvement in international markets will positively affect a focal hospitality firm's internationalization.

2.5.3 Dimensions of environment as moderators

Traditional IO economics and strategic management research have emphasized as essential and foundational the role of the business environment in understanding various aspects of firms' strategic choices and outcomes. Building upon the contingent perspective, scholars have attempted to conceptualize dimensions of the business environment. Dess and Beard (1984) described the environmental dimensions as

dynamism, complexity, and munificence. These dimensions are appealing in that they can be applied to different industries and firms without losing their meaning and can be measured in various ways, including archival and primary data (Andrews, 2009). Moreover, given the empirical support and importance of these three dimensions of the business environment, the current dissertation adapts this theoretical framework in order to investigate environment-contingent factors on the relationship between competitors' international involvement and a focal firm's internationalization.

Table 2-1.

Dimensions of Environment

Dimensions	Definition	Selected research on each dimension
Dynamism	The unstable, unpredictable, and rapid changing of the environment	Child (1972), Cyert and March (1963), D'Aveni (1994), Dess and Beard (1984), Knecht (2013), Miles, Snow and Pfeffer (1974)
Complexity	The number, diversity, and degree of interdependencies among environmental factors	Castrogiovanni (1991, 2002), Child (1972), Dess and Beard (1984), Duncan (1972), Huber and Daft (1987), Miller and Friesen (1983), Knecht (2013)
Munificence	The extent to which the environment supports organizations' growth based on available resources	Castrogiovanni (1991, 2002), Child (1972), Cyert and March (1963), Dess and Beard (1984), Knecht (2013)

Environmental dynamism is defined as unstable, ever-changing competition, and rapid movement of market participants in an environment (Knecht, 2013). In highly dynamic environments, a firm experiences difficulties in predicting its future direction and performance; thus, traditional approaches based on the paradigms of equilibrium, stability, and linearity are likely to mislead an organization toward undesirable strategic directions (Dess & Beard, 1984; Robertson & Caldart, 2009). Therefore, dynamism can

greatly influence a firm's strategic process and decisions. While a stable environment calls for more rigid organizational structures and strong routines and efficiency, a firm needs to have a flexible structure, greater adaptability, and quick decision-making under a highly dynamic environment (Eisenhardt & Bingham, 2009). Numerous academic scholars have pointed to dynamism as a major environmental factor that affects organizations. For example, D'Aveni's (1994) "hypercompetition" and Eisenhardt and Bourgeois's (1988) "high-velocity environments" oppose a traditional perspective of sustainable competitive advantages, focusing instead on environmental dynamism. The crux of this stream of research is that firms cannot generate a superior performance in the long-term. Instead, only temporal competitive advantages are attainable because it is highly likely that a firm's unique strategy gives the firm competitive advantages at the initial implementation but that strategy can soon be imitated by its competitors.

Applying the view of neoinstitutional theory to environmental dynamism, a firm is more likely to mimic others when it is facing a highly dynamic and uncertain environment. In other words, based on the mimetic isomorphism proposed by DiMaggio and Powell (1983), when coping with the uncertain environment where the link between the means and ends is ambiguous, a firm is more likely to model itself on other organizations because a reliance on legitimated procedures enhances a firm's survival in most situations. In particular, the hospitality industry is characterized as a highly volatile one due to the heavy reliance on consumers' disposable income, and hospitality firms are well known for their high capital intensity, low profit margins, and high business risk (DeFranco & Lattin, 2006; Guillet & Mattila, 2010; Ottenbacher & Harrington, 2009). Thus, if the environment becomes unstable and subject to rapidly change, hospitality

firms would be exposed to even greater risk. In confronting such a dynamic environment, it is critical for hospitality firms to develop their own unique strategies to meet customers' needs in a timely manner. However, due to the restrictive characteristics mentioned above, hospitality firms would be reluctant to initiate their strategic choices indiscreetly. Rather, under the highly dynamic environment, they are more likely to observe competitors' actions and take those actions for granted as proven solutions. Thus, environmental dynamism would affect the extent to which a focal firm imitates others' internationalization strategies.

In addition, since the level of dynamism can vary greatly between industries (Knecht, 2013), it is of particular interest how hospitality firms which are exposed to a wide range of environmental dynamism differ in their internationalization decisions while observing competitors' actions. The following hypothesis proposes a moderating role of environmental dynamism in the relationship between competitors' internationalization strategies and a focal firm's internationalization.

Hypothesis 2a: Environmental dynamism will positively moderate the relationship between competitors' involvement in internationalization and a focal hospitality firm's internationalization.

Environmental complexity refers to the "overall number of aspects a firm needs to consider and analyze in its external environment" (Knecht, 2013, p. 42). It relates to diverse competitors, suppliers, consumers, and other actors in the environment that need to be considered in the strategic process (Dansereau & Yammarino, 2003). Some authors defined complexity as the level of diversity capturing market structures within the

industry (Rabin et al., 2000). With the varieties of factors that influence a firm, interdependence of environmental factors increases and the risk of failure is heightened (Huber & Daft, 1987; Suarez & Oliva, 2005). As environmental complexity increases so does the need for a large amount of information processing for managers. Since managers' cognitive capacities are limited (Prahalad & Bettis, 1986), greater complexity in the environment would demand considerable decision-making tools and organizational structure (Knecht, 2013). However, complexity is sometimes beneficial for firms. Under the complex environment, it becomes difficult to replicate others' competitive advantages (Peteraf, 1993) and it provides with a high entry barrier, making it so that prospective competitors will find it difficult to enter the industry (Enders, 2004).

Among the various ways of conceptualizing environmental complexity, industry concentration, defined as the distribution of firms' market share, is one of the most popular features of complexity (Bain, 1951; Porter, 1980; Schmalensee, 1989). In the high level of concentration, environment complexity is low. In other words, market structure becomes simpler, centralizing power in the hands of a few firms that monopolize the market, lead industry trends, and unite prices and output of industry. Conversely, in low degrees of concentration, environmental complexity is high because firms in the evenly distributed market structure are likely to take more autonomous and competitive strategies against others (Shepherd, 1972; Yin & Shanley, 2008).

With this reasoning, if the environment is less complex and market shares are concentrated in the hands of a small number of firms, other firms may perceive the strategies of those few firms as successful and legitimate directions that they should follow. However, if the environment is more complex and market shares are evenly

distributed among firms, market competition would be severe and competitors' internationalization may be hardly observable. Even though firms are able to observe competitors' international involvement, they may doubt the true worth of competitive advantages by replicating others' actions. Therefore, in the following hypothesis, I posit that firms facing high environmental complexity (low market concentration) are less likely to imitate competitors' internationalization strategies.

Hypothesis 2b: Environmental complexity will negatively moderate the relationship between competitors' involvement in internationalization and a focal hospitality firm's internationalization.

Environmental munificence concerns the "scarcity or abundance of critical resources" (Dess & Beard, 1984, p. 55–56; Pfeffer & Salancik, 1978, p. 63) that support the growth of an organization. An environment with greater munificence imposes fewer constraints and enables firms to grow, because when resources are abundant, firms can focus more on other strategies or goals (Castrogiovanni, 1991). Brittain and Freeman (1980) suggested that increased munificence allowed firms to diversify their organizational forms. Additionally, growing munificence leads to abundant slack resources that protect firms from possible hostility.

When resources are scarce in the environment, competition among organizations intensifies. Therefore, the level of munificence is closely connected to competition within an industry (Ensley et al., 2006). Because organizations depend on each other in the immediate environment in which they operate, a firm's resources can be constrained by other organizations (Mizuchi & Fein, 1999). That is, organizations compete for scarce

resources at greater cost. Accordingly, lower environmental munificence limits firms' slack and ability to adapt their organizational structure (Castrogiovanni, 1991). As competition in a specific industry or market becomes fierce, a firm is likely to run short on available resources and thus avoids excessive risk-taking by focusing on its core markets (Goll & Rasheed, 2004).

Hospitality firms have relatively tight profit margins (Guillet & Mattila, 2010; Ottenbacher & Harrington, 2009) and their products and services need to be locally differentiated and customized. Thus, high risk accompanies an expansion to a new market, particularly for hospitality firms. Accordingly, firms under lower environmental munificence are at risk of deviating from standard practices in their pursuit of alternative resources (Sherer & Lee, 2002), whereas firms in the environment with high munificence are not likely to experience such risks due to considerable resources provided by the environment. Therefore, in the environment with high munificence, hospitality firms are likely to take competitors' internationalization as legitimate (Goll & Rasheed, 2004) and imitate them because they have the financial slack to do so. For example, in the hospitality industry, under a favorable and growing economy when resources are more abundant, firms would be more inclined to engage in international expansion stimulated by competitors' internationalization.

With this reasoning in mind, the following hypothesis is proposed, which states that higher environmental munificence motivates firms to conform to other firms' internationalization strategies.

Hypothesis 2c: Environmental munificence will positively moderate the relationship between competitors' involvement in internationalization and a focal hospitality firm's internationalization.

2.6 Study 2: The Effect of Internationalization on Firm Performance

2.6.1 Internationalization and firm performance

The internationalization research has provided many reasons why substantial profits may arise from multinational corporations (MNCs). From an economic perspective, such as industrial organization economics and transaction cost economics (Caves, 1996; Hymer, 1960; Rugman, 1979), international firms can obtain increased market power and internalize their costs due to market imperfections (Ghoshal, 1987; Kogut, 1985). International operations also enable firms to receive tax benefits and achieve lower costs for resources and labor (Hennart, 1982; Venon, 1966). Moreover, internationally diversified firms are often evaluated highly by investors due to various constraints in the global market, such as information asymmetries and regulations (Doukas & Travlos, 1988).

On the other hand, many researchers have adopted a behavioral perspective toward internationalization, such as the resource- and knowledge-based view and organizational learning theory. For example, a firm can learn from its foreign subsidiaries and transfer valuable intangible resources and knowledge (Barkema & Vermeulen, 1998; Ghoshal & Bartlett, 1990; Kogut & Zander, 1992). Kogut and Zander (1992) suggested that the internationalization of a firm facilitates knowledge transfer within an organization. Barkema and Vermeulen (1998) suggested that firms benefit from increased

innovativeness in product and organizational practices even though internationalization may give rise to some temporary problems as firms adopt to foreign settings. Hsu and Pereira (2008) argued that the internationalization of MNEs increases firms' return on sales, return on investment, and return on equity because it enables firms to allocate resources appropriately and learn from their international expansion experiences.

However, firms also face many complexities and risks during the international expansion. For example, internationalization requires firms to learn a variety of institutional and cultural settings (Roth, 1922; Roth & Morrison, 1991; Sanders & Carpenter, 1998; Vermeulen & Barkema, 2002). In each foreign subsidiary, a firm needs to invest time and resources to establish its presence, hire and manage employees, and analyze its customers and competitors (Barkema et al., 1996). In addition, a firm needs to change and adjust its mental maps, such as systems processes (Bartlett & Ghoshal, 1989) and structures, to fit in an international setting when such processes are highly complex and demand substantial time (Tsai, 2000). Consequently, as firms expand their operations internationally, they are likely to have trouble managing the coordination, managerial, and transaction costs (Gomes & Ramaswany, 1999). Cuervo-Cazurra, Maloney, and Manrakhan (2007) stated that firms are in a predicament when they possess no resources to enter a new country, when it is a heavy burden to transfer resources among international subsidiaries, and when resources between international and domestic markets are not complimentary.

Although internationalization has captured the attention of a wide array of researchers in various disciplines, findings regarding the effect of internationalization on a firm's performance have not reached an agreement. Some previous studies found a

negative effect of internationalization on firm performance (Carter, 1997; Collins, 1990; Go & Christensen, 1989; Kumar, 1984; Michel & Shaked, 1986; Shaked, 1986, Siddharthan & Sanjaya, 1982; Tong & Reuer, 2007), while others found a positive relationship between internationalization and firm performance (Chapdelaine & Kindelan, 1995; Elmont, 1995; Grant, 1987; Grant et al., 1988; Lee et al., 2014; Masur, 1997; Sadi, 1997). Also, several previous studies found an insignificant relationship (e.g., Dunning, 1985; Kumar, 1984; Rugman, Lecraw, & Booth, 1985) or a nonlinear relationship (e.g., Gomes & Ramaswany, 1999; Lu & Beamish, 2001, 2004) between internationalization and firm performance.

Even within the hospitality industry, the findings of internationalization and firm performance show inconclusive results. For example, Jang and Tang (2009) found no significant relationship between internationalization and firm performance for U.S. multinational hotel companies, but they suggested a positive and significant moderating effect of leverage on the association between internationalization and firm performance. Lee (2008) and Tang and Jang (2010) found a U-shaped relationship with a sample of U.S. hotel companies. Regarding the restaurant industry, Singh, Upneja, and Dalbor (2003) found a positive relationship between internationalization and firm performance (i.e., operating income growth and pretax profitability). Hua and Upneja (2007) suggested that as restaurant firms grow, focusing on domestic markets rather than international markets would help firms to build a larger market share and higher profit margin. Hua and Upneja (2011) later revised their view, suggesting that U.S. multinational restaurant firms outperform U.S. domestic restaurant firms in the long-term. Lee, Koh, and Heo (2011) found that foreign direct investment (FDI) has a negative

effect on a firm's operating performance (EBITDA), but it has no effect on a firm's market performance (Tobin's q).

Inconsistent findings within the hospitality management literature may be due to the use of different methodological approaches, different measurements of internationalization and firm performance, and various sample sizes and periods. Therefore, Study 1 of this dissertation considers a larger sample, and includes a variety of measurements of internationalization and firm performance.

In addition, the inconsistencies in the previous findings on the effect of internationalization on firm performance may be due to the idiosyncrasies of different industries. Most previous studies examined the relationship between internationalization and firm performance with manufacturing firms or all firms without considering factors unique to each industry. Thus, the theoretical arguments or concepts of previous studies may not be applicable to specific industries (Palich, Cardinal, & Miller, 2000). The majority of internationalization studies in the hospitality management focused on several theoretical perspectives such as resource-based view, internalization, and economies of scales. However, following the classifications of international firms by Bartlett and Ghoshal (1988), Study 1 of this dissertation develops an industry-related argument that can determine the financial outcomes of internationalization.

Given that hospitality firms are considered "multinational" firms by Bartlett and Ghoshal's (1989) categorization, it is hard to standardize and globally integrate the goods and services of hospitality firms in an international setting. Country-specific risk factors (e.g., trade costs, physical barriers, and differences in culture, regulations, and taxation) would be significant barriers to hospitality firms' success in international markets.

Multinational hospitality firms, therefore, can hardly achieve global integration. Rather, as hospitality firms are required to be physically present in local markets, they should focus on local differentiation, which requires the investment of a great amount of capital, time, and effort to adjust and customize their goods and services to local conditions.

The hospitality industry has also been known for its high volatility due to economic factors (e.g., customers' disposable income and high inflation) and limited internal cash flows due to tight profit margins (Ottenbacher & Harrington, 2009). Thus, it is likely to be more difficult for hospitality firms to achieve cost-efficiency and economies of scale across borders. The transfer of resources and knowledge from one country to another is likely to be limited and a burden for hospitality firms. In addition, managers in the hospitality industry tend to exercise a relatively high degree of discretion (Finkelstein et al., 2009). With high managerial discretion, managers are more likely to build empires in pursuit of personal benefit rather than shareholder wealth as firms expand internationally. These unique features of the hospitality industry are likely to exacerbate agency problems and information asymmetries with investors, which would thus increase the cost of capital.

Following this line of thought, although there have been inconsistent findings in the previous internationalization literature, the present study proposes the following hypothesis: The costs of internationalization in the hospitality industry, such as high initial capital investments, required information and knowledge, and development of tailored strategies, may outweigh the benefits of internationalization.

Hypothesis 3: Internationalization has a significant and negative relationship with firm performance for the hospitality industry.

Although a negative relationship is proposed for the marginal effect of internationalization on firm performance, this relationship can be contingent on various factors. Some previous researchers have addressed contingent factors that can affect the relationship between internationalization and firm performance, such as firm type (Rhou & Koh, 2014), different industrial structures, competitive environmental factors (Birkinshaw et al., 1995; Kobrin, 1991), organizational capabilities (Frynas et al., 2006), and expansion processes to a new market (Vermeulen & Barkema, 2002; Lee et al., 2011).

However, not much attention has been given to the upper echelons perspective as a contingent factor in explaining the relationship between internationalization and firm performance in general. To the best of my knowledge, such an examination has not been conducted in the context of the hospitality industry. Among the few examples in the general literature, Carpenter and Fredrickson (2001) examined the effect of top management teams on firms' global posture, as measured by a composite variable of foreign sales, geographic dispersion, and production, and found a significant factor to be top executives' demographic factors, such as education, functional background, and tenure. Nielsen (2010b) further suggested that the positive link between internationalization and firm performance stems from international diversity among top managers.

According to Finkelstein et al. (2009), hospitality firms are generally considered to allow a high level of managerial discretion, in which top executives have more flexibility to take many possible courses of action and thus have quantum effects on

organizational outcomes (Finkelstein et al., 2009). Thus, various facets of top managers, such as demographic characteristics, value, personality, and experiences, are likely manifested in the internationalization strategy of hospitality firms and firm performance. Therefore, this dissertation argues that top executives would moderate the relationship between internationalization and its outcome.

2.6.2 Upper echelons theory

The Carnegie School (Cyert & March, 1963; March & Simon, 1958), a key underpinning of Hambrick and Mason's (1984) upper echelons perspective, argues that top managers in an organization tend to make a firm's strategic choices under conditions of information ambiguity and overload. In their perspective, bounded rationality, incompatible goals, various options, and different aspiration levels all serve to limit the extent to which complex choices can be made on an optimization and techno-economic basis. Strategic decisions are largely determined by behavioral factors, such as human biases and limitations, rather than the outcomes of rational optimization and techno-economic decisions. Decision makers selectively perceive a limited number of available cues (Simon, 1955) and choose a simplified model of reality (March & Simon, 1958) that is largely shaped on the basis of their prior knowledge and experience.

The upper echelons perspective (Hambrick & Mason, 1984) states that the age, educational experiences, and functional background of top managers can be good proxies for the psychological constructs influencing and shaping their interpretation of external and internal situations and formulation of appropriate strategies. Since the introduction of the upper echelons perspective, many scholars have attempted to examine the effect of

top managers' characteristics, experiences, personalities, or values on their strategic choices and organizational outcomes (e.g., Carpenter et al., 2004, Finkelstein et al., 2009).

Some scholars supporting the population ecology and institutional theory argue that top executives are greatly constrained by organizational inertia, path-dependence, and institutional pressure, and thus, they do not have much control over organizational outcomes (DiMaggio & Powell, 1983; Hannan & Freeman, 1977). On the other hand, scholars in the fields of strategic and leadership management support the notion that top managers hold considerable sway over organizational outcomes and shape the fates of firms (Hambrick & Mason, 1984; Hambrick & Quigley, 2014; Rumelt, 2011). In an effort to bridge oppositional perspectives about the extent to which top executives affect organizational outcome, Hambrick and Finkelstein (1987) introduced and elaborated on the concept of "managerial discretion," which is defined as latitude of action. The degree of managerial discretion stems from contextual forces, such as environmental (e.g., absence of clear means-ends linkages and absence of direct constraints) and organizational factors (e.g., organizational size and resources), and individual managerial characteristics (e.g., executives' aspiration levels, tolerance for ambiguity, and interpersonal linkages). Thus, Hambrick and Finkelstein (1987) posited that executives' influence on organizational behavior and outcome depends on the extent to which the aforementioned factors grant them managerial discretion.

Further, among various schools of thought on the fit in strategic management, the strategic implementation school emphasizes tailoring the administrative and organizational mechanisms in the line with firms' strategies (Chandler, 1962; Gupta &

Govindarajan, 1984; Venkatraman & Camillus, 1984). Camillus (1982) states that careful attention needs to be paid toward the fit between strategy and other key organizational elements, such as reward systems (Kerr and Snow, 1982; Miller, 1981), organizational culture (Schwartz & Davis, 1981), and managerial characteristics (Hambrick & Mason, 1984; Leontiades, 1982). Specifically, the concept of managerial fit states that a firm's performance largely depends upon the degree to which the competences and profiles of its top managers align with the strategic choices that the firm pursues (Gupta & Govindarajan, 1984; Michel & Hambrick, 1992). Thus, when examining the effects of internationalization on firm performance, a fundamentally important question arises of whether or not top managers in the organization possess the capabilities and profiles that can cope with the uncertainty and complexity involved in managing international operations (Kochhar & Hitt, 1995). Put differently: Firms with top managers who are competent and capable of operating an international business are more likely to achieve a better performance than firms without such managers.

Among many possible potential factors that measure top managers' capabilities and profiles, I focus especially on executives' characteristics (i.e., nationality, functional backgrounds, international experiences, operating ability) and CEOs' external connections that can be related to the internationalization strategy. Specific arguments for each element are provided in the following sections.

2.6.3 Heterogeneity in executives' nationalities

A number of previous studies that investigated the link between TMT heterogeneity and organizational performance found inconsistent outcomes: positive

effects (Barsade et al., 2000; Eisenhardt & Schoonhoven, 1990); negative effects (Greening & Johnson, 1996; Murray, 1989); and no effects (Michel & Hambrick, 1992). These mixed results clearly show that TMT heterogeneity may be a double-edged sword (Carpenter, 2002; Williams & O'Reilly, 1998).

The heterogeneous TMT has socio-cognitive benefits that make them capable of handling greater complexity. For example, diversity within the TMT should provide different points of views, as well as diverse and vast supplies of information that lead to comprehensiveness, broader mindedness, greater propensity to search for opportunities, wider ranges of responses to environmental demands, and novelty (Finkelstein et al., 2009; Hambrick & Mason, 1984; Pitcher & Smith, 2001). Members of a diverse team are more willing to challenge others' viewpoints, reconcile diverse solutions, and stimulate effective group discussion -- attributes that lead to high-quality decisions (Hoffman & Maier, 1961). However, heterogeneity among TMTs also has socio-cognitive conflicts that may cause process losses. For example, heterogeneous TMTs tend to disrupt established norms and procedures that promote efficiency (Murray, 1989) and demotivate them to exert cooperative efforts (Carpenter et al., 2004). It can reduce social integration within TMTs, communication frequency, and attentional focuses and cohesiveness, and it can increase conflicts and coordination costs (Ancona & Caldwell, 1992; Hambrick et al., 1996; O'Reilly et al., 1989; Pfeffer, 1983).

Consequently, the tension between these positive and negative perspectives regarding the consequences of TMT heterogeneity demands a better understanding of when the benefits outweigh the costs of TMT heterogeneity (Carpenter, 2002). Therefore, in response to this inconsistency, some theorists have incorporated contingency factors

(e.g., industry change, economic turbulence, etc.) in examining the effects of TMT heterogeneity. For instance, Murray (1989) found that heterogeneous TMTs perform poorly in a short-term period, but better in the long-term period due to their superior adaptability. Further, Halebian and Finkelstein (1993) revealed that in turbulent environments, firms that have larger teams and less dominant CEOs perform better due to the TMTs' superior information-processing capabilities. Hambrick et al. (1996) also argued that because the U.S. airline industry faced a high level of uncertainty and turbulence immediately following deregulation, heterogeneous TMTs were more advantageous than homogeneous ones. Their results indicate that diverse TMTs in a highly turbulent industry have competitive and adaptive capabilities that lead to better firm performance.

Moreover, the measurement of TMT heterogeneity varies in the previous studies. Acknowledging that TMT heterogeneity is multi-dimensional (e.g., heterogeneity in composition, structure, and process), each specific attribute of TMT heterogeneity may have different benefits and costs. Therefore, the dimensions of heterogeneity should be examined separately, considering the research setting. Thus, this dissertation focuses specifically on TMT heterogeneity in nationality, which seems most relevant to the internationalization of a firm.

TMT members' nationalities, which can be defined as a belongingness to a particular nation, captures the various embedded institutional backgrounds, such as cultural traits, languages, and social beliefs (Hambrick et al., 1998; Nielsen & Nielsen, 2013). These individual characteristics stemming from national origins have a substantial influence on strategic decision-making, group functioning, and firm performance

(Hambrick et al., 1998). One thing to note here is that nationality is a different concept from the international career experience discussed in the earlier section. Although both represent the degree of TMT internationalization, international career experiences account for the influences of a person's exposure to various international environments, whereas nationality captures the impact of a person's ethnocentric orientation and beliefs practiced in their home country (Nielsen, 2010b; Tihanyi et al., 2000). Thus, the TMT members of various national origins may provide unique insights into target markets.

The social categorization theory (Turner, 1987) suggests that diversity may come at a cost. Since nationality influences the pattern or style of communication and interaction, there may be affective conflicts, less cohesiveness, and sluggish decision-making (Earley & Mosakowski, 2000). On the other hand, based on the information-processing and decision-making perspectives, higher national heterogeneity among TMTs allows the team to build an extensive knowledge base of different institutional environments. As teams make strenuous efforts to integrate and harmonize their institutionally diverse perspectives, they are more likely to engage in in-depth discussions, consider various alternatives, and generate innovative ideas (Hambrick et al., 1998). In turn, TMT heterogeneity in nationality helps teams to better solve complexities and achieve high innovativeness. Watson, Kumar, and Michaelsen (1993) showed that nationally diverse groups performed better than homogeneous groups in terms of range of perspectives and alternatives.

Keck (1997) suggested that the composition of TMTs should reflect the complexity in the environment of a firm. In other words, a highly complex environment challenges a firm to process and interpret a great deal of information and generate many

actionable alternatives. Thus, in the context of internationalization that intensifies a host of managerial challenges and complexities, the benefits of heterogeneity in executives' nationalities may outweigh the costs (Sanders & Carpenter, 1998). Nationality diversity in such a context may make the best use of members' diverse institutional knowledge in order to cope with the difficulties of managing geographically and culturally dispersed subsidiaries. Having a valuable understanding and knowledge of different countries and the greater capacity of diverse team members may reduce information-processing costs and capture important environmental cues (Luo, 2005). Especially for the hospitality industry, where local differentiation and customization of products and services are extensive, a diversity of nationalities represented among TMT members may be more likely to help their firms to understand different cultures and consumers and develop appropriate strategies for each nation in which they operate. Accordingly, I propose that firms with diversity of nationalities represented among TMT members are more likely to maximize the positive returns from internationalization strategy than those with rather homogeneous nationalities among TMT members.

Hypothesis 4: *Heterogeneity in TMT members' nationalities will positively moderate the relationship between internationalization and firm performance.*

2.6.4 Executives' functional background

The functional experiences of executives provide a lens through which they see an organizational problem and solutions (Dearborn & Simon, 1958). Hambrick and Mason (1984) also suggested that each executive brings to their job an orientation established through experiences in their functional areas. Top executives in general have their

primary functional area such as marketing, finance, or engineering. Hambrick and Mason (1984) identify functional backgrounds in production, process engineering, and accounting/finance as *throughput* backgrounds, and those in marketing, sales, and product R&D as *output* backgrounds. Top executives with *throughput* backgrounds often pursue cost control, asset adjustment, and efficiency, whereas top executives with *output* backgrounds tend to emphasize revenue growth, seek new opportunities and market expansion, and focus on monitoring products and markets (Chen & Hambrick, 2012). Since these distinctive functional areas encourage top managers to put an emphasis on different facets of the business, top management teams with diverse functional backgrounds are more likely to develop different views toward firms' strategies.

The degree to which one type of functional background is more valued depends on the contexts characterized by greater uncertainty and ambiguity in means-ends linkages (Datta & Rajagopalan, 1998; Herrmann & Datta, 2005). In the seminal work of Hambrick and Mason (1984), it was proposed that "output" functional experience improves firms' profitability in a turbulent environment which demands more flexible and differentiated strategies. Researchers in strategic management have echoed this proposition by Hambrick and Mason (1984). For example, Barker and Mueller (2002) confirmed that various career experiences among top executives are categorized into throughput and output functions, and found that output backgrounds are associated with a high level of innovation strategy, such as R&D spending, whereas throughput backgrounds are associated with lower innovation strategy. Further, Chaganti and Sambharya (1987) proposed that firms with more differentiated products in the tobacco industry had more output-oriented executives and less throughput-oriented executives,

while Thomas et al. (1991) found that executives with output-oriented backgrounds are positively related to innovation strategies, and those with throughput-oriented backgrounds are significantly related to non-differentiated strategies. Chen and Hambrick (2012) also suggested later that top executives with output-oriented backgrounds are well suited to firms pursuing market expansion and revenue growth, and those executives with throughput-oriented backgrounds tend to fit in at firms that experience poor performance due to a focus on efficiency.

Considering there are greater uncertainties and complexities involved in managing international operations (Kochhar & Hitt, 1995) and firms often depart from past practices in their international operations, the "output" functional background among TMT members is more likely to be valued when a firm expands into international markets. In addition, hospitality firms need to differentiate their products and services to adapt to different local environments, following Bartlett and Ghoshal's (1989) study. In such conditions, output-oriented executives may be of more help because they tend to be more concerned with innovativeness and differentiated strategies than those executives with throughput-oriented backgrounds. Therefore, in the following hypotheses, I argue that top executives with the output functional background would be suitable for a firm's success with internationalization.

Hypothesis 5a: The proportion of TMT members with the output functional background (e.g., marketing, sales, product, and R&D) will positively moderate the relationship between internationalization and firm performance.

Hypothesis 5b: The CEO with the output functional background (e.g., marketing, sales, product, and R&D) will positively moderate the relationship between internationalization and firm performance.

2.6.5 Executives' international career experience

The past literature has suggested that the effects of an internationalization strategy on firm performance largely depend on a firm's capabilities and resources to coordinate its geographically dispersed resources (Roth, 1995), to handle heterogeneous cultures, institutions, and competitive market conditions (Ricks, Toyne, & Martinez, 1990), and to distribute innovations across overseas operations (Hitt, Hoskisson, & Kim, 1997). Considering the importance of the ability to manage various matters in an international setting, the international career experiences of top executives are expected to play a pivotal role in the complex international market. Such experiences would provide invaluable knowledge and skills, wide and distinctive worldviews, and professional ties that are helpful for firms to better manage international operations (Carpenter & Sanders, 2001; Nigh & Athanassiou 1999).

Several studies have emphasized the importance of top managers with previous career experience in the management of international markets. Sambharya (1996) suggested that the international experience of the top management team is positively related to a firm's international diversification strategy. Specifically, the international career experiences of top managers (e.g., the number of years spent abroad, higher education, and the number of years in an international division) provide the firm a path to becoming a transnational company by reducing uncertainty, responding to the forces of

the global economy and markets, and accumulating cultural knowledge. In addition, owing to their past international career experiences, top executives may have a network or connections useful for facilitating their focal firms' international strategies and outcomes (Sambharya, 1996). Roth (1995) also argued that CEOs with experience in managing international activities or international experience abroad tend to have a better understanding of international interdependence, greater knowledge of international networks, and positive attitudes and competencies toward different cultures and nationalities. Thus, firms with a high level of international interdependence are likely to require CEOs to have experience managing international activities to achieve a strong and better firm performance. In the same vein, Carpenter et al. (2001) revealed that because CEOs' international assignment experiences are indeed valuable, rare, and inimitable resources that endow their firms with a dynamic capability, multinational firms are more likely to achieve a positive performance by conferring the international assignment experience for CEOs.

In addition, the international assignment is a central factor for firms' global competitiveness (Black, Gregersen, & Mendenhall, 1992), as it provides the functions of 1) succession planning and management development, 2) coordination and control of international operations, and 3) information flow and exchange between the parent company and its subsidiaries. Also, the crucial skills required to manage international operations are cultural interaction, global perspective, and responsiveness to local demand, and these can be obtained through involvement with an international assignment (Adler & Bartholomew, 1992). Thus, executives with these competencies are more likely to lead firms to success in international settings.

Therefore, based on the notion of the "fit" between strategy and top executives' characteristics and the importance of having top managers who can cope well with uncertainties and risks associated with international markets, I propose that top executives with previous international career experience are more likely to achieve or maximize their financial performance via the internationalization strategy.

Hypothesis 6a: *The international career experience of the top management team will positively moderate the relationship between internationalization and firm performance.*

Hypothesis 6b: *The CEO with international career experience will positively moderate the relationship between internationalization and firm performance.*

2.6.6 Executives' operating ability

Aligning with the upper echelons theory in strategic management, scholars in finance and economics have also suggested that top executives are a key factor in corporate practices and that they exert their influence on firm behavior and performance through their operating decisions (Bertand & Schoar, 2003). By efficiently utilizing resources through their capital investment and revenue-generating activities (Choi et al., 2015), top executives affect organizational profits, which is interpreted as an individual operating ability. Supporting this notion, Hayes and Schaefer (1999) demonstrated that the market negatively perceives the loss of a talented executive by showing lower returns, which means that executives with superior operating ability are likely to make efficient and effective operating decisions on various issues, such as capital and labor investment, revenue growth, and cost-saving strategies.

Moreover, when firms expand into foreign markets, they face uncertainty and risk, which trigger a period of learning and adjustment to resource configurations (Lu & Beamish, 2001). Analyzing, entering, and managing foreign markets requires significant managerial time, increasing demand on executives' information processing (Reuber & Fischer, 1997). Thus, as the business grows and becomes more complex, the needs for professionals increase (King et al., 2001). Executives with a high operating ability may be better at and more efficient in dealing with such complexities involved in the international setting.

Especially for hospitality firms, executives' operating ability may be particularly critical to their success in international markets. The products and services of hospitality firms are fundamentally different from those of manufacturing firms in terms of simultaneity of production and consumption, and customization (Boddewyn et al., 1986; Buckley et al., 1992). In other words, global integration, which requires standardized customer demand and cost efficiency, cannot be achieved for hospitality firms because the act of tailoring goods and services is a crucial factor for hospitality firms to satisfy local customers' needs (Buckley et al., 1992; Dunning, 1989). Further, the hospitality industry is highly sensitive to economic factors (e.g., customers' disposable income, high inflation) and has limited internal cash flows due to tight profit margins (Ottenbacher & Harrington, 2009). Thus, in the hospitality industry, executive managers with a high operating ability may be able to efficiently execute their growth strategies with a tight budget, cope with different economic conditions and complex international contexts, and achieve cost-savings for the purpose of successful outcomes from the internationalization. Thus, I propose the following hypothesis.

Hypothesis 7a: The non-CEOs with a higher operating ability will positively moderate the relationship between internationalization and firm performance.

Hypothesis 7b: The CEOs with a higher operating ability will positively moderate the relationship between internationalization and firm performance.

2.6.7 Executives' external ties

Elaborated upon by the Carnegie School (e.g., Cyert & March, 1963), the strategic decision-making process demands cognitive limitations of top managers by featuring fluctuating environments, confusing information, and competing goals and expectations. Executive managers selectively perceive a limited number of strategic choices under conditions of information overload and ambiguous available cues (Simon, 1955). They tend to simplify reality (Finkelstein & Hambrick, 1996) and economize the research and decision-making processes, relying on not only their past experiences and knowledge but also existing channels and external referents (Cyert & March, 1963). Thus, a firm's strategies are the outcomes of behavioral factors rather than economic optimization.

The main contribution of the upper echelons model by Hambrick and Mason (1984) is that it accentuates the relationship between the characteristics of top executives and organizational outcomes. However, in addition to top executives' characteristics, their personal ties outside of the organization and their influence over decision-making have drawn attention (Geletkanycz & Hambrick, 1992; Peng & Luo, 2000).

The term "social capital" was initially introduced in community studies to describe relational resources in personal networks developed over time (Jacobs, 1965).

The applications of this concept have elucidated a wide range of social phenomena not only in the community research but also in research on the economic performance of organizations (Baker, 1990). The central proposition of this social capital theory is that social capital is a valuable resource that provides members with collectivity owned capital and credentials (Bourdieu, 1986). Following this logic, the social capital embedded in executives' social ties can be considered valuable resources that are unique to the firm and difficult for competitors to imitate (Galaskiewicz & Zaheer, 1999). In particular, a firm with executives with greater social ties will have better access to many alternative providers of valuable resources (Tsai, 2001), such as new market conditions, information about competitors' strategies, and partnership opportunities (Powell et al., 1996).

Given the importance of executives' social ties, several previous research projects attempted to provide some insight. Geletkanycz and Hambrick (1997) categorized the top executives' social ties into internal and external ties. They demonstrated that executives with high extra-industry ties are likely to deviate from industry norms. Conversely, executives with high intra-industry ties tend to conform to industry norms, and this conformity helps organizational performance in an uncertain environment. Using survey data in China, Peng and Luo (2000) demonstrated that top executives' interpersonal ties with executives of other organizations and with government officials improve firm performance. Stam and Elfring (2008) also demonstrated that firms with executives with limited social ties attenuate the relationship between a firm's entrepreneurial orientation and performance. The findings of these studies stress the importance of the social context in which the executives are embedded.

Although many scholars agree that managerial social capital in their ties and networks has substantial value (Burt, 1997; Granovetter, 1985), researchers should consider them from a serious perspective, that is, what circumstances and in what ways they matter. With rare exceptions in this respect, the effect of managerial ties has not been explored critically. Based on the well-established concept of fit, firms perform better when the competencies and profiles of executives align with the strategies they initiate (Gupta & Govindarajan, 1984; Michel & Hambrick, 1992). Pfeffer (1972) suggested that organizations with better fit between executives' external social capital and the firm's critical resource dependencies achieved superior performance. This suggests that it is beneficial for top executives to have the social ties that support a firm's strategies and goals.

Taking on this challenge and considering the research context of this dissertation, I concentrate on managerial "*external ties*," which are executives' boundary-spanning activities and their interactions with external organizations (Geletkanycz & Hambrick, 1997) related to *international* business or activities. Executives' internal ties that share operating environments may provide insufficient and hackneyed information that is not significantly different from their own knowledge base. Contrarily, external ties in other environmental contexts are likely to provide executives with extensive exposure to different individuals and alternate sources of ideas (Geletkanycz & Hambrick, 1997; Peng & Luo, 2000). For example, Howard Schultz, a former CEO of Starbucks Corp., gained external ties with eBay Inc., Groupon Inc., and the National Association of Securities Dealers (NASD) by serving as a board director there between 1998 and 2003. eBay and Groupon may have a broad range of information about customers' needs and

spending that would be beneficial to Starbucks, which could utilize that information. Being a board member of NASD would provide him with a better understanding and knowledge of economic conditions. John (Bill) Willard Marriott Jr., a former CEO of Marriott International Inc., was a member of the International Center for Economic Growth (ICEG), which may have helped him to develop a wide-ranging network of professionals, institutions, and politicians across countries. With these external ties, a CEO may be able to obtain various strategic alternatives from other arenas that support the internationalization of his or her firm.

In addition, as multinational hospitality firms need to differentiate their strategies across different international markets, the internationalization strategies of these firms would require a vast amount of information and understanding of local markets in order to develop a wide range of strategies and alternatives. In such conditions, hospitality firms may benefit from executives' external ties with international organizations. These types of external ties would increase managerial awareness of various strategic alternatives and help executives to acquire firsthand insight into and knowledge of ambiguous and complex international markets -- experience that otherwise can be obtained only through costly learning by trial and error. Consequently, I expect that top executives' external ties with international organizations improve their ability to successfully execute the internationalization process.

Hypothesis 8: Top executives' external ties with international organizations will positively moderate the relationship between internationalization and firm performance.

2.7 Summary of Hypotheses

In order to investigate the motivation for and the outcomes of internationalization, the hypotheses introduced in the preceding sections are summarized as follows.

2.7.1 Study 1

Hypothesis 1: The competitor's involvement in international markets will positively affect a focal hospitality firm's internationalization.

Hypothesis 2a: Environmental dynamism will positively moderate the relationship between competitors' involvement in internationalization and a focal hospitality firm's internationalization.

Hypothesis 2b: Environmental complexity will negatively moderate the relationship between competitors' involvement in internationalization and a focal hospitality firm's internationalization.

Hypothesis 2c: Environmental munificence will positively moderate the relationship between competitors' involvement in internationalization and a focal hospitality firm's internationalization.

2.7.2 Study 2

Hypothesis 3: Internationalization has a significant and negative relationship with firm performance for the hospitality industry.

Hypothesis 4: Heterogeneity in TMT members' nationalities will positively moderate the relationship between internationalization and firm performance.

Hypothesis 5a: The proportion of TMT members with the output functional background (e.g., marketing, sales, product, and R&D) will positively moderate the relationship between internationalization and firm performance.

Hypothesis 5b: The CEO with the output functional background (e.g., marketing, sales, product, and R&D) will positively moderate the relationship between internationalization and firm performance.

Hypothesis 6a: The international career experience of the top management team will positively moderate the relationship between internationalization and firm performance.

Hypothesis 6b: The CEO with international career experience will positively moderate the relationship between internationalization and firm performance.

Hypothesis 7a: The non-CEOs with a higher operating ability will positively moderate the relationship between internationalization and firm performance.

Hypothesis 7b: The CEOs with a higher operating ability will positively moderate the relationship between internationalization and firm performance.

Hypothesis 8: Top executives' external ties with international organizations will positively moderate the relationship between internationalization and firm performance.

2.7.3 Overview Research Model

Figure 1 gives an overview of the research model and relationships of interest. A detailed description of all variables of the research model, including sample, data, and measurements, is discussed in Chapter 3.

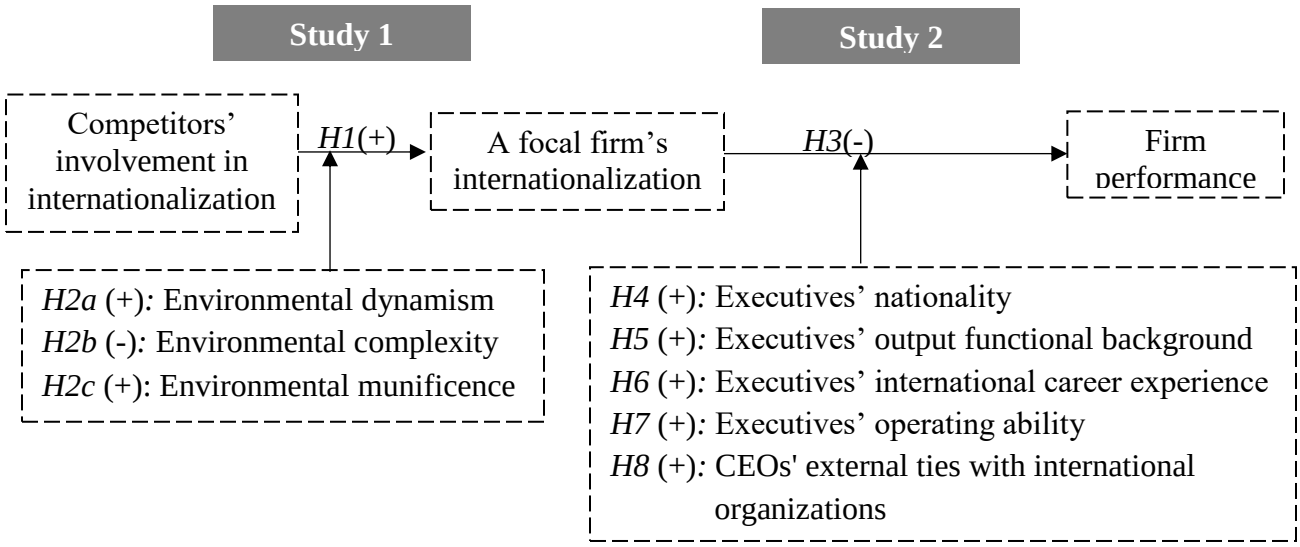

Figure 1. Research model for Study 1 and 2

2.8 Conclusion

In this chapter, both theoretical and empirical evidence are provided to show why it is important to examine the motivation for internationalization and under which conditions firms can perform better in international markets. The evidence presented in this chapter shows that the conflicting views (market-oriented and resource-oriented) may need to be integrated to explain the comprehensive picture of internationalization strategy. Therefore, this study proposes that the competitors and environmental structure may motivate a firm to expand internationally, based on the market-oriented view (specifically, neoinstitutional theory). In addition, after reviewing conventional

approaches to assess the effect of internationalization on firm performance, it was revealed that the effect of internationalization has not been fully investigated in the context of the upper echelons theory, which is a critical strategic decision-maker of the firm. Thus, considering various traits of top executives, this study provides an extensive range of understanding on the relationship between internationalization and firm performance.

CHAPTER 3

METHODOLOGY

In this chapter, empirical methodologies used in this dissertation are described. Specifically, two sets of cross-sectional time series (panel) regression are conducted to investigate 1) the motivation for internationalization (hypotheses 1 and 2) and 2) the effect of internationalization on firm performance (hypotheses 3, 4, 5, 6, 7, and 8). This chapter proceeds as follows: for each study, the data and sample are discussed, followed by a detailed measurement of variables and analysis.

3.1 Study 1: Motivation for Internationalization

3.1.1 Sample and data

The sample of this study comprises U.S. publicly traded hospitality firms based on the North American Industry Classification System (NAICS). Specifically, the sample includes Limited-Service Restaurants (722513), Full-Service Restaurants (722511), Hotels and Motels excluding Casino Hotels (721110), and Casino Hotels (721120). The initial list of these sample firms is derived from the COMPUSTAT and EXECUCOMP databases. The sample period ranges from 1992 to 2016, as the EXECUCOMP database started to offer the data from 1992.

Data on the internationalization of firms and competitors, and the degree of franchising, are collected from firms' annual reports (10-K) filed with the U.S. Securities and Exchange Commission (SEC). Firms' annual reports (10-K) include information such

as the number of international properties, which makes it possible to estimate the degree, speed, and diversification of internationalization for each firm and competitor.

To collect firm-specific defined competitor sets, the Hoovers database was employed. Data for calculating three environmental dimensions and control variables were collected from the COMPUSTAT database of Wharton Research Data Services (WRDS). COMPUSTAT provides financial information of U.S. publicly traded firms, which makes it possible to measure various financial variables, such as total assets and leverage, among others. Additionally, executives' ages, tenures, and compensation are acquired from EXECUCOMP and a firm's proxy statement.

3.1.2 Variables

Identification of competitors. The competitors for each focal firm are identified by the Hoovers database. Consistent with the supply-based approach, Hoovers finds competitor sets for each individual firm by analyzing business profiles, such as profitability, financial ratios, growth rates, and market valuations.

Internationalization. The study measures the internationalization of firms in three ways: (1) the *degree of internationalization* is measured by the number of properties operated in international markets divided by the number of total properties of a firm (e.g., Lee, 2008; Lee et al., 2011, 2014; Song et al., 2017; Sullivan, 1994; Vermeulen & Barkema, 2002); (2) the *speed of internationalization* measures the rate of change in the number of international properties of a firm year by year (Hua & Upneja, 2007; Vermeulen & Barkema, 2002) and is calculated by the difference between the number of international properties from the current year (*t)* and those from the previous year (*t-1*);

and lastly, (3) *international diversification* measures the dispersion of firms' international subsidiaries. I use the Berry-Herfindahl index, using the number of firms' units in each country (or continent). The Berry-Herfindahl index ($1 - \Sigma S_i^2$) has been widely accepted for measuring market concentration or diversification in the previous literature (Kang et al., 2012; Kang & Lee, 2014; Nachum 2004) because it considers both the number of properties and the dispersion of operations (Kang et al., 2012).

$$\text{Berry-Herfindahl index} = 1 - \Sigma S_i^2$$

where S_i is calculated by the number of properties for each firms' market (location) divided by a firm's total number of properties. The Berry-Herfindahl index provides information on the degree of the diversification of firms' portfolios; a value of 1 indicates that a firm's portfolio is well-diversified, while a lesser values indicate that a firm's portfolio is relatively less-diversified.

For the operationalization of three environmental dimensions (dynamism, complexity, and munificence), the most prominent contribution was made by Dess and Beard (1984). They approached the measurement of environmental dimensions using factor analytic techniques, and many scholars have followed their measures. However, in spite of the wealth of research on this topic, there has been no universal or definite measurement of these dimensions (Knecht, 2013).

Environmental dynamism. In measuring environmental dynamism, some researchers measured the overall construct incorporating questionnaires and interviews (e.g., Anand & Ward, 2004; Ashill and Jobber, 2010), while others used selected attributes of environmental dynamism (Boyne & Meier, 2009; Kreiser & Marino, 2002; Miller & Shamsie, 1999). Dess and Beard (1984) measured environmental dynamism by

focusing on *instability* in four industry variables: sales, profit margin, employment, and value-added manufacturing. For example, instability of total sales is expressed as the standard error of the regression coefficient divided by the mean value for the period 1968–1977. This proxy of environmental dynamism represents the variability in growth rates over 10 years. Hymer and Pashigian (1962) introduced the market *instability* index, which measures changes in market share over time. Later, Wholey and Brittain (1989) developed sub-categories of environmental dynamism and suggested measurements of each: *amplitude*, *frequency*, *predictability*, and *instability.*

While each of these studies has a distinct focus and stresses certain key attributes of dynamism, a wide array of subsequent studies on the measurement of environmental dynamism has been lopsided on the *instability* of dynamism. For example, Goll and Rasheed (2004) measured dynamism as the variability of shipment values, estimated by the standard error of the regression coefficient and scaled by the industry mean for the sample period. Harrington and Kendall (2005) used the standardized measure of volatility of industry sales, calculated by regressing industry sales on time and dividing the coefficient by standard error.

On this wise, adopting the variety of approaches used to empirically quantify environmental dynamism, this dissertation focuses on the two dimensions of dynamism that seem most agreed upon in the previous literature: *frequency* and *instability.* Based on Wholey and Brittain's (1989) suggestion, 1) *frequency* is measured by the slope reversals in a time series of each industry sales (or revenues). Sales (or revenues) reflect the primary changes in the industry, such as consumer demand, competition, and regulatory intervention. To calculate the frequency in dynamism for each industry, the number of

slope reversals in the time series of industry sales (or revenue) is divided by the total number of possible slope reversals over the period. In addition, following the popularity in the literature, 2) *instability* for each industry is measured by the volatility of industry sales (or revenue) growth rate. It is estimated by regressing values of industry sales (or revenue) on time and then dividing the standard error of the regression coefficient of the time variable by the average of industry sales (or revenue). The industry's total sales (or revenue) is calculated on an annual basis by the sum of all the firms' sales (or revenue) within the industry in which the focal firm was competing. Also, to account for variations in environmental dynamism within an industry over time, each dimension of dynamism is averaged across a three-year period. Finally, the sum of frequency and instability was used to represent environmental dynamism.

Environmental complexity. The basic argument from the studies that measured environmental complexity is that a highly concentrated industry is dominated by a small number of firms (Palmer & Wiseman, 1999). With fewer competitors, information processing and interactions among actors in the market are less important. Conversely, with a large number of competitors, acquisition and interpretation of information become more important (Palmer & Wiseman, 1999). To measure complexity, Dess and Beard (1984) estimated environmental complexity using geographical concentrations in five industry variables: sales, employment, value-added manufacturing, input, and number of establishments. Also, much of the previous literature has measured environmental complexity using the Herfindahl index, the concentration ratio, and simple counts of the number of competitors.

To operationalize environmental complexity within each industry, this dissertation uses the Berry-Herfindahl index, as it incorporates an assessment of both concentration of market share as well as the number of competitors in the formula.

$$\text{Environmental complexity} = \text{Berry-Herfindahl}_j = 1 - \sum_{i=1}^{n} s_{itj}^2$$

where S_{itj} is the market share of firm *i* at time *t* in industry *j*. A value of 1 indicates that the market share is well distributed among firms (high complexity) within the industry, while lesser values indicate that the market share is relatively less diversified (less complexity) within the industry. Also, to account for the variation in environmental complexity within an industry over time, the complexity measure is averaged across a three-year period.

Environmental munificence. Dess and Beard (1984) measured environmental munificence using the growth of five industry variables: sales, profit margin, employment, value-added manufacturing, and number of establishments. For example, growth in total sales is calculated by the regression coefficient divided by the mean value over the period 1968–1977. This represents environmental munificence as the 10-year growth rate of industry. This measurement was echoed by Yasai-Ardekani (1989) using the growth of sales in eight industry sectors. In a similar vein, using the largest 1,000 manufacturing firms in the U.S., Goll and Rasheed (2004) operationalized munificence as the growth rate of shipments, calculated by the regression slope coefficient for the sample period.

Considering the popularity of the measurement, this dissertation operationalizes environmental munificence for each industry by the growth rate of industry sales (or

revenues), which is calculated by regressing these variables on time and dividing the regression coefficient of the time variable by the mean of each industry value. Also, to account for the variation in environmental munificence within an industry over time, the munificence measure is averaged across a three-year period.

***Control variables*.** In order to mitigate the confounding effect on the main relationships of interest, several control variables are included. 1) *Firm size* (SIZE), measured by the log of total assets or total sales, is included to control any confounding effect, considering scale economies, market power, and any effects from the different sizes of firms (Hitt et al., 2006; Nachum, 2004). 2) *Firm leverage* (LEV) is employed as a control variable. This represents a firm's capital structure, measured by the debt-to-assets ratio. Financial studies often consider leverage to be associated with firms' strategic decisions (Denis & McKeon, 2012). A firm with a high degree of leverage may be less inclined toward internationalization (Sun & Lee, 2013). 3) *Firms' degree of franchising* (DOF) is also included as a control variable, measured by the number of franchised units scaled by the total number of units. Franchising has been widely carried out as a firm's growth strategy and it should affect managers' internationalization decisions due to its risk-sharing role (Combs & Castrogiovanni, 1994). 4) *Firms' previous performance,* measured as a lagged value of return on asset, is also controlled in order to account for its influence on the current strategy of a firm. 5) *Year-effects* are included in the model to control any particular year that can affect firms' internationalization.

Since top executives in an organization greatly influence the strategic choices of a firm (Hambrick & Mason, 1984; Carpenter et al., 2004; Finkelstein et al., 2009), this

research also considers 6) characteristics of executive managers, such as their *tenure*, *age*, and *compensation* as control variables. In accordance with the previous studies (e.g., Eisenhardt & Schoonhoven, 1990; Geletkanycz & Hambrick, 1997; Wiersema & Bantel, 1992), these characteristics of executives are measured as the average of each. The executives' tenure is estimated by the average length of time that executives served in a firm, and executives' age is estimated by the average age of members. The executives' compensation is calculated as the total value of equity granted to executive managers.

Table 3-1.

Summary of Main Variables in Study 1

Internationalization	Degree (DegreeINT)	The number of international properties ÷ the number of total properties of a firm
	Speed (SpeedINT)	The number of international properties$_{(t)}$ - the number of international properties$_{(t-1)}$
	Diversification (DivINT)	$1 - \Sigma S_i^2$, where S_i is the number of properties for each international market ÷ the total number of properties
Environmental dynamism	The sum of frequency and instability	*Frequency:* the slope reversals in a time series of industry sales and operating expenses
		Instability: the standard error of the regression coefficient of the time ÷ the average of industry sales
Environmental complexity	Berry-Herfindahl$_j$	$1 - \sum_{i=1}^{n} s_{itj}^2$, where S_{ijt} is the market share of firm *i* at time *t* in industry *j*
Environmental munificence	The growth rates of industry sales	The regression coefficient of time variable ÷ the mean of industry values

*Three independent variables (competitors' INT degree, competitors' INT Berry, competitors' INT Speed) and three moderators (Dynamism, Complexity, and Munificence) were mean-centered to prevent a multicollinearity problem.

3.1.3 Analysis model

For Hypothesis 1:

$$\text{DegreeFirmINT}_{it} = \beta_0 + \beta_2 \text{DegreeCompetitorINT}_{jt-1} + \beta_{3-8} \text{Controls}_{it-1} + \epsilon_{it}$$

$$\text{SpeedFirmINT}_{it} = \beta_9 + \beta_{10} \text{SpeedCompetitorINT}_{jt-1} + \beta_{11-16} \text{Controls}_{it-1} + \epsilon_{it}$$

$$\text{DivFirmINT}_{it} = \beta_{17} + \beta_{18} \text{DivCompetitorINT}_{jt-1} + \beta_{19-24} \text{Controls}_{it-1} + \epsilon_{it}$$

For Hypothesis 2a:

$$\text{DegreeFirmINT}_{it} = \beta_{25} + \beta_{26} \text{DegreeCompetitorINT}_{jt-1} + \beta_{27} \text{Dynamism}_{t-1} + \beta_{28} \text{DegreeCompetitorINT}_{jt-1} \times \text{Dynamism}_{t-1} + \beta_{29-34} \text{Controls}_{it-1} + \epsilon_{it}$$

$$\text{SpeedFirmINT}_{it} = \beta_{35} + \beta_{36} \text{SpeedCompetitorINT}_{jt-1} + \beta_{37} \text{Dynamism}_{t-1} + \beta_{38} \text{DegreeCompetitorINT}_{jt-1} \times \text{Dynamism}_{t-1} + \beta_{39-44} \text{Controls}_{it-1} + \epsilon_{it}$$

$$\text{DivFirmINT}_{it} = \beta_{45} + \beta_{46} \text{DivCompetitorINT}_{jt-1} + \beta_{47} \text{Dynamism}_{t-1} + \beta_{48} \text{DegreeCompetitorINT}_{jt-1} \times \text{Dynamism}_{t-1} + \beta_{49-54} \text{Controls}_{it-1} + \epsilon_{it}$$

For Hypothesis 2b:

$$\text{DegreeFirmINT}_{it} = \beta_{55} + \beta_{56} \text{DegreeCompetitorINT}_{jt-1} + \beta_{57} \text{Compexity}_{t-1} + \beta_{58} \text{DegreeCompetitorINT}_{jt-1} \times \text{Compexity}_{t-1} + \beta_{59-64} \text{Controls}_{it-1} + \epsilon_{it}$$

$$\text{SpeedFirmINT}_{it} = \beta_{65} + \beta_{66} \text{SpeedCompetitorINT}_{jt-1} + \beta_{67} \text{Compexity}_{t-1} + \beta_{68} \text{DegreeCompetitorINT}_{jt-1} \times \text{Compexity}_{t-1} + \beta_{69-74} \text{Controls}_{it-1} + \epsilon_{it}$$

$$\text{DivFirmINT}_{it} = \beta_{75} + \beta_{76} \text{DivCompetitorINT}_{jt-1} + \beta_{77} \text{Compexity}_{t-1} + \beta_{78} \text{DegreeCompetitorINT}_{jt-1} \times \text{Compexity}_{t-1} + \beta_{79-84} \text{Controls}_{it-1} + \epsilon_{it}$$

For Hypothesis 2c:

$$\text{DegreeFirmINT}_{it} = \beta_{85} + \beta_{86}\text{DegreeCompetitorINT}_{jt-1} + \beta_{87}\text{Munificence}_{t-1} + \beta_{88}\text{DegreeCompetitorINT}_{jt-1} \times \text{Munificence}_{t-1} + \beta_{89-94}\text{Controls}_{it-1} + \epsilon_{it}$$

$$\text{SpeedFirmINT}_{it} = \beta_{95} + \beta_{96}\text{SpeedCompetitorINT}_{jt-1} + \beta_{97}\text{Munificence}_{t-1} + \beta_{98}\text{DegreeCompetitorINT}_{jt-1} \times \text{Munificence}_{t-1} + \beta_{99-104}\text{Controls}_{it-1} + \epsilon_{it}$$

$$\text{DivFirmINT}_{it} = \beta_{105} + \beta_{106}\text{DivCompetitorINT}_{jt-1} + \beta_{107}\text{Munificence}_{t-1} + \beta_{108}\text{DegreeCompetitorINT}_{jt-1} \times \text{Munificence}_{t-1} + \beta_{109-114}\text{Controls}_{it-1} + \epsilon_{it}$$

3.1.4 Econometric estimation

To examine the relationships of interest, a longitudinal multilevel analysis was used. The panel data of this study were composed of three nested dimensions: firm, industry, and year. Thus, the pooled ordinary least squares (OLS) estimation may not control unobserved effects derived from these three dimensions (Wooldridge, 2010). Among various possible models to analyze panel data, hierarchical linear modeling (or multi-level modeling) was employed, as firms are nested under each industry. HLM relaxes the assumption of independence and allows that lower-level individuals (firms) may not be independent of each other within the same higher-level units (industries) (Hoffmann et al., 2000). In addition, HLM estimates unbalanced panel data efficiently (Raudenbush & Bryk, 2002) and can deal with complex structures of data and thus address issues of collinearity among individuals, firms, and industries (McGahan & Porter, 2002).

Furthermore, the study used robust standard errors clustered by industry to avoid deflated standard errors and to mitigate any within-cluster correlations in the data (Peterson, 2009).

3.2 Study 2: The effect of internationalization on firm performance

3.2.1 Sample and data

The sample of Study 2 comprises U.S. publicly traded hospitality firms. All hospitality firms are identified by the North American Industry Classification System (NAICS). Specifically, the sample includes: Limited-Service Restaurants (722513), Full-Service Restaurants (722511), Hotels and Motels excluding Casino Hotels (721110), and Casino Hotels (721120). The initial lists of these sample firms and TMT members are derived from the COMPUSTAT and EXECUCOMP databases. Then, the sample is filtered by the BoardEx database. The sample period ranges from 1992 to 2014, as the BoardEx database offers data up to 2014.

As in Study 1, data on the internationalization of firms and the degree of franchising are collected from firms' annual reports (10-K). Data for firm performance and control variables are collected from the COMPUSTAT database of Wharton Research Data Services (WRDS). Additionally, data on TMT members' ages, tenures, and compensation are acquired from EXECUCOMP and a firm's proxy statement. Information on TMTs' international experiences, functional backgrounds, and nationalities (i.e., where executives were born) is collected from each firm's 10-K reports, BoardEx, Marquis Who's Who, Bloomberg, and other public sources (e.g., online profiles, LinkedIn website, etc.).

Lastly, the TMTs' external ties with international organizations are identified by the BoardEx database. The BoardEx provides information on networks and profiles of directors and executives in publicly traded and major private firms. For example, this database offers executives' current business relationships, affiliations with non-profit

organizations, boards on which they currently serve or have served in the past, and past universities they attended and degrees they earned. Through this database, a variety of types of individual ties can be measured, such as professional, intra-industry, extra-industry, educational, and social connections. In this research, the number of individual ties to international organizations is estimated.

3.2.2 Variables

Internationalization. The operationalization of internationalization in Study 2 is the same as in Study 1: (1) The *degree of internationalization* is measured by the number of properties operated in international markets divided by the number of total properties of a firm. (2) The *speed of internationalization* measures the rate of change in the number of international properties of a firm year by year, calculated by the difference between the number of international properties from the current year (*t)* and those from the previous year (*t-1*). (3) The *international diversification* measures the dispersion of firms' international subsidiaries, estimated by the Berry-Herfindahl index.

Firm performance. Corporate performance can be conceptualized by two dimensions: financial and operational performance (Venkatraman & Ramanujam, 1986). Financial performance is the measure that reflects investors' expectations of a firm's future performance, while operational performance is the measure that reflects the assessment of a firm's past performance. For operational performance, this research employs firms' *return on assets (ROA)* to reflect firms' performance under the control of management (Bettis & Mahajan, 1985). In addition, since this research purposes to

investigate the consequences of internationalization, I also measure firms' *international returns (IR),* calculated by the percentage changes in revenue generated by international properties.

To measure the financial performance of a firm, this study uses *Tobin's q.* A group of scholars noted that Tobin's q offers an unbiased measure of a firm's value by estimating it as the present value of cash flow divided by the replacement cost of assets (Lang & Stulz, 1994). For simplicity and facilitation of data collection and computations of measurement, this research uses the approximate Tobin's q developed by Chung and Pruitt (1994):

$$\text{Approx. Tobin's q} = (\text{MVE} + \text{PS} + \text{DEBT}) / \text{TA}$$

where MVE represents a firm's share price multiplied by the number of common shares outstanding; PS represents the liquidating value of outstanding preferred stock; DEBT represents the value of short-term assets minus the value of short-term liabilities plus the book value of long-term debt; and TA represents the book value of total assets.

Identification of TMT members. The research on TMTs can be conducted in various units of analysis based on different perspectives. Scholars who are proponents of the upper echelons theory argue that top management teams should be of interest because this group of executives holds relatively powerful positions in an organization and their choices and actions are likely to affect the organization (Hambrick et al., 2005). Since top-level managers are expected to have greater impact on strategic decisions, the construct of the top management team has typically been identified using a measurement

of senior hierarchical levels by titles and positions. In this vein, most research tends to follow the logic that individuals at higher levels will likely influence strategic outcomes.

In terms of this application, the empirical definition of top management teams has been diverse. Central to the theoretical construct of dominant coalition, some researchers identified the TMT members as executives who are also on the board of directors (e.g., Finkelstein & Hambrick, 1990; Haleblian & Finkelstein, 1993). Later studies measuring TMTs range from executives in the senior-most offices, such as senior vice president or executive vice president (e.g., Ferrier, 2001; Kor, 2003; Tihanyi et al., 2000), to all executives listed in SEC filings (Gordon et al., 2000; Nielsen & Nielsen, 2013). A few studies confined the boundaries of TMTs to executives whose compensation data can be accessed (Carpenter et al., 2001; Carpenter et al., 2003).

Among various approaches to define the boundary of TMTs, the TMTs in this dissertation consist of executives who are at the level of senior vice president or higher (Hambrick et al., 2015). That is, it includes the chief executive officer (CEO), chief operating officer (COO), chief financial officer (CFO), executive vice presidents (EVPs), and senior vice presidents (SVPs). Also, in the case that a top management team consists of fewer than five individuals, the next level of executive (e.g., vice president) is included.

Heterogeneity in executives' nationality. The degree of heterogeneity in the nationalities of TMT members was calculated using a Blau's index (Blau, 1977) that represents the dispersion of TMT members across all different nationalities. This index is calculated as:

$$B = [1-\sum(p_i)^2]$$

where p_i is the percentage of TMT members in the i nationality group. The higher the resulting values, the greater the TMTs' heterogeneity on a particular variable.

Executives' functional background. The functional backgrounds of a CEO and TMTs are divided into throughput and output categories (Datta & Rajagopalan, 1998). Specifically, executives who had dominant functional experience in production, process engineering, and accounting/finance are classified as having *throughput* functional backgrounds. Those who have dominant functional experiences in all other functional areas are classified as *output* functional backgrounds. The TMTs' functional backgrounds were measured as the proportion of TMT members with output functional backgrounds to all members. The functional background of a CEO is measured by a binary variable; 1 for CEOs with output functional backgrounds, and 0 for CEOs with throughput functional backgrounds. To classify the functional background, I generally followed the classification suggested by Datta and Rajagopaln (1998). However, some positions or functions are named differently in the hospitality industry than in other general business areas. For example, functions such as communication, branding, concepts, and strategy were classified as output functional backgrounds, while general counsel, secretary, and administrative functions were classified as throughput functional backgrounds.

Executives' international experience. International experience at the TMT level is measured by two variables: (1) average number of years that executives spent abroad on a work or job assignment and higher education, and (2) proportion of executives who

spent time abroad on a work or job assignment and higher education over the total number of TMT members (Sambharya, 1996). International experience at the CEO level is measured by the number of years that a CEO spent abroad on a work or job assignment and higher education.

Executives' operating ability. This dissertation measures executives' operating ability using a method to estimate the extent to which executives' fixed effects correlate with firm performance (i.e., regress firm performance on CEOs' fixed effects and non-CEOs' fixed effects controlling other covariates) instead of using firm-level variables of operational efficiency. This measure is less likely driven by other firm-level variables because it directly estimates the association between CEOs' and non-CEOs' effects and firm performance (Choi et al., 2015).

Bertrand and Schoar (2003) suggested the strategy that identifies executives' effects. For example, suppose we are interested in the effect of dividend payout. Then, from a benchmark specification, we control average differences across firms and years and time-varying, firm-specific variables that may affect the dividend payouts, and finally derive estimated effects of residual dividend payouts. In a similar approach, Choi et al. (2015) estimated executives' operating ability, using the following regression:

$$\mathrm{IROA}_{it-1} = \beta_0 + \beta_1 \mathrm{X}_{it-2} + \beta_t \mathrm{Year}_t + \beta_i \mathrm{Firm}_i + \beta_m \mathrm{CEO}_m + \beta_n \mathrm{NonCEO}_n + \epsilon_{it-1} \quad (1)$$

where *IROA* is the industry-adjusted return on assets, calculated as income before extraordinary items deflated by lagged total assets minus industry median ROA in the same year. X represents a vector of time-varying firm-level covariates that affect firms' performance. These covariates are the same as control variables in the main analysis.

$Year_t$ is year fixed effects and $Firm_i$ is firm fixed effects. The remaining variables are fixed effects for the managers observed in firms. CEO is an indicator variable for each CEO and the coefficient of this variable (β_m) is the estimated CEO operating-specific ability. Thus, a CEO with a positive coefficient on his or her indicator variable is considered to have a high operating ability, and vice versa. Fixed effects for the group of managers who are non-CEOs are included because this research intends to entangle CEOs' effects from that of other managers. Then, the coefficient of NonCEO (β_n) is the estimated non-CEOs' operating-specific ability. Finally, when estimating the regression equation, I clustered standard errors of estimates at the firm level to account for serial correlations within cluster.

When estimating regression (1), it is evident that executives' fixed effects cannot be estimated separately for managers who do not leave a given firm in the sample period because of perfect collinearity. Thus, it is statistically appropriate to consider only executives who stayed in a firm for a subset of the entire sample period. Thus, CEOs' and non-CEOs' fixed effects in the regression equation (1) include only executives who worked for a subset of sample period.

Executives' external ties. Engelberg et al. (2013) introduced "Rolodex," a composite measure of executives' social, professional, and educational connections, and suggested a variety of ways to measure the executives' social connectedness using the BoardEx database. However, I collect the external ties only at the CEO level because the BoardEx database is limited to the information on boards of directors. Considering the research context, this research measures CEOs' external ties as the number of external

board or executive positions that each CEO holds outside their own industry each year. Specifically, a board or executive role at another firm that conducts international expansions is considered to be a CEO's external ties.

***Control variables*.** In order to mitigate the confounding effect on the main relationships of interest, several control variables are included. 1) *Firm size* (SIZE), measured by the log of total assets or total sales, is included to control effects of scale economies, market power, and any effects from the different sizes of firms (Hitt et al., 2006; Nachum, 2004). 2) *Firm leverage* (LEV) controls for benefits (e.g., tax-shield) and costs (e.g., financial distress, negative market perception) of having a certain shape of capital structure, measured by the debt-to-assets ratio (Brealey & Myer, 2003). 3) This study controls *firms' capital intensity* (CAPINT), estimated by dividing the value of fixed assets by the book value of total assets. High capital intensity can relieve firms' financial distress and buffer firms against a financial crisis or any kind of unfavorable conditions by serving as collateral (Charalambakis et al., 2008; Lubatkin & Chatterjee, 1994). 4) *Firms' liquidity* (LIQ) represents a firm's liquidity measured by a current ratio (= current assets ÷ current liabilities). Lin et al. (2011) contended that higher liquidity may buffer firms against market fluctuations or uncontrollable shocks and help firms to take prompt action in response to market opportunities, and thus improve performance. 5) *Firms' degree of franchising* (DOF) is also included as a control variable, measured by the number of franchised units scaled by the total number of units. The franchising strategy has been known to reduce agency costs and motivate the franchisees to exert great efforts in generating high profitability (Hoover, Ketchen, & Combs, 2003). 6) *Firms' previous*

performance, measured as a lagged value of return on asset, is also controlled in order to account for its lagged effect on the firm's current performance. 7) *Year-effects* are also included in the model to control any particular year that can affect firms' internationalization and performance. 8) Time-varying characteristics of executive managers, such as *tenure*, *age*, and *compensation*, are also included as control variables. The estimations of these variables are the same as in Study 1.

Table 3-2.

Summary of Main Variables in Study 2

Internationalization	Degree (DegreeFirmINT)	the number of international properties ÷ the number of total properties of a firm
	Speed (SpeedFirmINT)	the number of international properties$_{(t)}$ - the number of international properties$_{(t-1)}$
	Diversification (DivFirmINT)	$1 - \Sigma S_i^2$, where S_i = the number of properties for each international market ÷ the total number of properties
Firm performance	Financial performance (Q)	Approx. Tobin's q = (MVE + PS + DEBT) ÷ TA Where MVE is a firm's market value of equity, PS is the liquidating value of preferred stock, DEBT is the value of short-term liabilities net of its short-term assets plus long-term debt, and TA is total assets of a firm.
	Operational performance (ROA, IR)	(1) Return on assets (ROA) = net income ÷ total assets (2) International returns (IR) = the percentage changes in revenues generated by international properties
Heterogeneity in TMTs' nationality	EXNAT	Blau's index = $[1 - \Sigma(p_i)^2]$ where p_i is % of TMT members in the nationality group *i*
Executives' functional background	EXFUNC CEOFUNC	1) % of TMT members with output functional backgrounds 2) 1 for CEOs with an output functional background, and 0 for CEOs with a throughput functional background

Executives' international experience	EXINT CEOINT	(1) average number of years that executives spent abroad on a work or job assignment and higher education (2) % of executives who spent time abroad on a work or job assignment and higher education over total number of TMT members
Executives' operating ability	NCEOOPER CEOOPER	$\mathrm{IROA_{it}} = \beta_0 + \beta_1 \mathrm{X_{it}} + \beta_t \mathrm{Year_t} + \beta_i \mathrm{Firm_i} + \beta_m \mathrm{CEO_m} + \beta_n \mathrm{NonCEO_n} + \epsilon_{it}$ β_m and β_n are estimated to represent executives' operating ability.
CEOs' external ties with international organizations	CEOTIES	The number of board or executive roles in other external companies that conduct international expansions

*Three independent variables (INT degree, INT Berry, INT Speed) and all moderators (nationality, functional background, international experience, operating ability, and external ties) were mean-centered.

3.2.3 Analysis model

For Hypothesis 3:

$$\mathrm{ROA_{it}}(\mathrm{IR_{it}}, \mathrm{Q_{it}}) = \alpha_0 + \alpha_2 \mathrm{DegreeFirmINT_{it-1}} + \alpha_{3-10} \mathrm{Controls_{it-1}} + \epsilon_{it}$$

$$\mathrm{ROA_{it}}(\mathrm{IR_{it}}, \mathrm{Q_{it}}) = \alpha_{11} + \alpha_{12} \mathrm{SpeedFirmINT_{it-1}} + \alpha_{13-20} \mathrm{Controls_{it-1}} + \epsilon_{it}$$

$$\mathrm{ROA_{it}}(\mathrm{IR_{it}}, \mathrm{Q_{it}}) = \alpha_{21} + \alpha_{22} \mathrm{DivFirmINT_{it-1}} + \alpha_{23-30} \mathrm{Controls_{it-1}} + \epsilon_{it}$$

For Hypothesis 4:

$$\mathrm{ROA_{it}}(\mathrm{IR_{it}}, \mathrm{Q_{it}}) = \gamma_0 + \gamma_1 \mathrm{DegreeFirmINT_{it-1}} + \gamma_2 \mathrm{EXNAT_{it-1}} + \gamma_3 \mathrm{DegreeFirmINT_{it-1}} \times \mathrm{EXNAT_{it-1}} + \gamma_{4-11} \mathrm{Controls_{it}} + \epsilon_{it}$$

$$\mathrm{ROA_{it}}(\mathrm{IR_{it}}, \mathrm{Q_{it}}) = \gamma_{12} + \gamma_{13} \mathrm{SpeedFirmINT_{it-1}} + \gamma_{14} \mathrm{EXNAT_{it-1}} + \gamma_{15} \mathrm{SpeedFirmINT_{it-1}} \times \mathrm{EXNAT_{it-1}} + \gamma_{16-23} \mathrm{Controls_{it-1}} + \epsilon_{it}$$

$$\mathrm{ROA_{it}}(\mathrm{IR_{it}}, \mathrm{Q_{it}}) = \gamma_{24} + \gamma_{25} \mathrm{DivFirmINT_{it-1}} + \gamma_{26} \mathrm{EXNAT_{it-1}} + \gamma_{27} \mathrm{DivFirmINT_{it-1}} \times \mathrm{EXNAT_{it-1}} + \gamma_{28-35} \mathrm{Controls_{it-1}} + \epsilon_{it}$$

For Hypotheses 5a & 5b:

$$ROA_{it}(IR_{it}, Q_{it}) = \eta_0 + \eta_1 DegreeFirmINT_{it-1} + \eta_2 EXFUNC(CEOFUNC)_{it-1} + \eta_3 DegreeFirmINT_{it-1} \times EXFUNC(CEOFUNC)_{it-1} + \eta_{4-11} Controls_{it-1} + \epsilon_{it}$$

$$ROA_{it}(IR_{it}, Q_{it}) = \eta_{12} + \eta_{13} SpeedFirmINT_{it-1} + \eta_{14} EXFUNC(CEOFUNC)_{it-1} + \eta_{15} SpeedFirmINT_{it-1} \times EXFUNC(CEOFUNC)_{it-1} + \eta_{16-23} Controls_{it-1} + \epsilon_{it}$$

$$ROA_{it}(IR_{it}, Q_{it}) = \eta_{24} + \eta_{25} DivFirmINT_{it-1} + \eta_{26} EXFUNC(CEOFUNC)_{it-1} + \eta_{27} DivFirmINT_{it-1} \times EXFUNC(CEOFUNC)_{it-1} + \eta_{28-35} Controls_{it-1} + \epsilon_{it}$$

For Hypotheses 6a & 6b:

$$ROA_{it}(IR_{it}, Q_{it}) = \delta_0 + \delta_1 DegreeFirmINT_{it-1} + \delta_2 EXINT\ (CEOINT)_{it-1} + \delta_3 DegreeFirmINT_{it} \times EXINT\ (CEOINT)_{it-1} + \delta_{4-11} Controls_{it-1} + \epsilon_{it}$$

$$ROA_{it}(IR_{it}, Q_{it}) = \delta_{12} + \delta_{13} SpeedFirmINT_{it-1} + \delta_{14} EXINT\ (CEOINT)_{it-1} + \delta_{15} SpeedFirmINT_{it-1} \times EXINT\ (CEOINT)_{it-1} + \delta_{16-23} Controls_{it-1} + \epsilon_{it}$$

$$ROA_{it}(IR_{it}, Q_{it}) = \delta_{24} + \delta_{25} DivFirmINT_{it-1} + \delta_{26} EXINT\ (CEOINT)_{it-1} + \delta_{27} DivFirmINT_{it-1} \times EXINT\ (CEOINT)_{it-1} + \delta_{28-35} Controls_{it-1} + \epsilon_{it}$$

For Hypotheses 7a & 7b:

$$ROA_{it}(IR_{it}, Q_{it}) = \theta_0 + \theta_1 DegreeFirmINT_{it-1} + \theta_2 NCEOOPER(CEOPER)_{it-1} + \theta_3 DegreeFirmINT_{it-1} \times NCEOOPER(CEOPER)_{it-1} + \theta_{4-11} Controls_{it-1} + \epsilon_{it}$$

$$ROA_{it}(IR_{it}, Q_{it}) = \theta_{12} + \theta_{13} SpeedFirmINT_{it-1} + \theta_{14} NCEOOPER(CEOPER)_{it-1} + \theta_{15} SpeedFirmINT_{it-1} \times NCEOOPER(CEOPER)_{it-1} + \theta_{16-23} Controls_{it-1} + \epsilon_{it}$$

$$ROA_{it}(IR_{it}, Q_{it}) = \theta_{24} + \theta_{25} DivFirmINT_{it-1} + \theta_{26} NCEOOPER(CEOPER)_{it-1} + \theta_{27} DivFirmINT_{it-1} \times NCEOOPER(CEOPER)_{it-1} + \theta_{28-35} Controls_{it-1} + \epsilon_{it}$$

For Hypothesis 8:

$$\begin{aligned}
\mathrm{ROA_{it}}(\,\mathrm{IR_{it}}, \mathrm{Q_{it}}) \quad &= \zeta_0 + \zeta_1 \mathrm{DegreeFirmINT_{it-1}} + \zeta_2 \mathrm{CEOTIES_{it-1}} + \\
&\zeta_3 \mathrm{DegreeFirmINT_{it-1}} \times \mathrm{CEOTIES_{it-1}} + \zeta_{4-11} \mathrm{Controls_{it-1}} + \epsilon_{\mathrm{it}} \\
\mathrm{ROA_{it}}(\,\mathrm{IR_{it}}, \mathrm{Q_{it}}) \quad &= \zeta_{12} + \zeta_{13} \mathrm{SpeedFirmINT_{it-1}} + \zeta_{14} \mathrm{CEOTIES_{it-1}} + \\
&\zeta_{15} \mathrm{SpeedFirmINT_{it-1}} \times \mathrm{CEOTIES_{it-1}} + \zeta_{16-23} \mathrm{Controls_{it-1}} + \epsilon_{\mathrm{it}} \\
\mathrm{ROA_{it}}(\,\mathrm{IR_{it}}, \mathrm{Q_{it}}) \quad &= \zeta_{24} + \theta_{25} \mathrm{DivFirmINT_{it-1}} + \zeta_{26} \mathrm{CEOTIES_{it-1}} + \\
&\zeta_{27} \mathrm{DivFirmINT_{it-1}} \times \mathrm{CEOTIES_{it-1}} + \zeta_{28-35} \mathrm{Controls_{it-1}} + \epsilon_{\mathrm{it}}
\end{aligned}$$

3.2.4 Econometric estimation

Similar to Study 1, the data of Study 2 have a nested structure with three levels of random variation: 1) TMTs or CEOs within firms, 2) firms within industries, and 3) firms between industries. To accounts for individual-, firm- and industry-specific effects over time (Short et al., 2006), I used hierarchical linear modeling (HLM). HLM estimates relatively precise inferences compared with traditional approaches (e.g., pooled OLS) because it considers that individuals at a lower level within a higher level may not be independent of each other (Hofmann et al., 2000). This accurately reflects the theoretical logic of this research: that characteristics of executives and firms' strategies can interact in important ways within firm- or industry-level attributes. Thus, HLM tests cross-level relationships among variables while accounting for their different sources of variance across different levels (Hofmann et al., 2000). Specifically, a three-level HLM model was used to test the interaction effects of executives' characteristics (level 1) and firms' strategy on firm performance (level 2), holding industry-specific effects (level 3).

Furthermore, the study used robust standard errors clustered by industry to avoid deflated standard errors and mitigate any within-cluster correlations in the data (Peterson, 2009).

CHAPTER 4

RESULTS

This chapter summarizes the results of two sets of analyses for motivations for internationalization and its financial outcomes. By reporting the results of each study separately, the structure and descriptive statistics of variables are presented. Then, the univariate analyses and results of main analyses are followed to show statistical evidence for testing hypotheses.

4.1 Study 1: Motivation for Internationalization

4.1.1 Structure of samples and descriptive statistics

The panel data of Study 1 consisted of 3,976 firm-year observations identified by the NAICS over the period from 1992 to 2016. Table 4-1 shows the structure of the sample of Study 1. Overall Full- and Limited Service Restaurants (NAICS code 722511 and 722513) comprised 64.7% of the sample, and Hotels and Motels excluding Casino Hotels (NAICS code 721110) and Casino Hotels (NAICS code 721120) constituted 20.7% and 14.6% of the sample, respectively. Out of 3,976 observations, I excluded some observations with missing values depending on the testing models. Also, I checked for outliers using the criteria of an absolute value of a studentized residual of 4 (Younger, 1979) and removed them for further analysis. Consequently, the final sample size for analyses ranges from 341 to 768, and is specified in each result table.

Table 4-1

Sample Structure of Study 1

NAICS	Industries	Freq.	Percent	Cum.
721110	Hotels and Motels excluding Casino Hotels	822	20.7%	20.7%
721120	Casino Hotels	582	14.6%	35.3%
722511	Full-Service Restaurants	1,698	42.7%	78.0%
722513	Limited-Service Restaurants	874	22.0%	100%
Total		3,976	100%	

Table 4-2 shows the mean and standard deviation of each variable in Study 1. The mean value of the degree of internationalization (INT Degree) was 0.08, with the standard deviation of 0.19. This means that hospitality firms, on average, have 8% of their total properties in international locations. The mean value of diversification of internationalization (INT Berry) was 0.94, with a standard deviation of 0.17. Thus, the operations of hospitality firms are generally well dispersed in international locations. The mean value of the speed of internationalization (INT Speed) was 0.20, with a standard deviation of 1.16. This indicates that hospitality firms, on average, increase their international operations by 20% each year. Three independent variables (Competitors' INT Degree, Competitors' INT Berry, and Competitors' INT Speed) show a similar pattern of dependent variables. Furthermore, three moderators (Dynamism, Complexity, and Munificence) are also described in Table 4-2. Dynamism (frequency) has a mean of 0.67, with a standard deviation of 0.96, and Dynamism (stability) has a mean of 0.04, with a standard deviation of 0.17. Complexity of environment has a mean of 0.87, which is close to 1, meaning that the hospitality industry features quite high competition and a

complex environment. Munificence has a mean of 2.86 and has many variations in the data, with a standard deviation of 3.86.

Table 4-2

Descriptive Statistics

Variable	Obs.	Mean	Std. D	Min	Max
INT Degree	2,387	0.08	0.19	0.00	1.00
INT Berry	820	0.94	0.17	0.00	1.00
INT Speed	845	0.20	1.16	-1.00	17.36
Competitors' INT Degree $_{t-1}$	2,063	0.10	0.13	0.00	0.88
Competitors' INT Berry $_{t-1}$	1,884	0.95	0.32	0.00	4.00
Competitors' INT Speed $_{t-1}$	1,792	0.21	1.42	-1.00	43.22
Dynamism_FQ3 $_{t-1}$	2,861	0.67	0.96	0.00	3.00
Dynamism_ST3 $_{t-1}$	2,865	0.04	0.17	0.01	4.63
Complexity3 $_{t-1}$	2,865	0.87	0.08	0.61	0.95
Munificence3 $_{t-1}$	2,865	2.86	3.86	0.25	91.19
ROA$_{t-1}$	3,350	-0.70	15.75	-623.83	7.84
Total assets	3,734	$1,349.37	$3,802.93	$0.00	$37,938.70
Size$_{t-1}$	3,597	2.11	1.06	0.00	4.58
Total liabilities	3,726	$925.24	$2,754.44	$0.00	$33,228.20
Leverage$_{t-1}$	3,350	1.26	16.27	0.00	667.00
Franchising $_{t-1}$	2,160	0.26	0.32	0.00	2.30
Geographic Diversification$_{t-1}$	1,826	0.68	0.33	0.00	1.00
Avg. executives' tenure	1,081	8.20	4.74	0.67	27.50
Avg. executives' age	1,081	50.26	4.58	36.00	65.25
CEO equity compensation $_{t-1}$	972	0.38	0.23	0.00	1.00

4.1.2 Preliminary Analysis

Table 4-3 indicates the results of Pearson correlations among variables in Study 1. Among explanatory variables, there are no extremely high correlations, except for munificence and environmental dynamism (stability) ($\rho = 0.90$). However, each of the three environmental variables is included in the models separately, and therefore, the high correlations among these variables would not influence the estimation.

Furthermore, the models with interaction terms are subject to a high multicollinearity between first-order variables and the interaction term. To prevent this, three independent variables (competitors' INT degree, competitors' INT Berry, competitors' INT Speed) and three moderators (Dynamism, Complexity, and Munificence) were mean-centered. To ensure that there is no severe multicollinearity problem, a test for multicollinearity was conducted. Table 4-4 shows the results of Variance Inflation Factors (VIF) for main analyses. Since all VIF values are less than 10, the variances of estimates are not inflated by severe correlations of variables, and thus, the estimation of the analyses are reliable (Kutner et al., 2005; O'Brien, 2007).

Table 4-3.

Pearson's Correlations

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(1)	INTDegree	1																
(2)	INTBerry	-0.64***	1															
(3)	INTSpeed	-0.08	0.04	1														
(4)	Competitors' INT Degree $_{t-1}$	0.64***	-0.27***	-0.06	1													
(5)	Competitors' INT Berry $_{t-1}$	-0.15*	-0.01	0.06	-0.54***	1												
(6)	Competitors' INT Speed $_{t-1}$	-0.01	0.01	0.02	0.04	-0.18**	1											
(7)	Dynamism FQ $_{t-1}$	0.34***	-0.25***	-0.03	0.37***	-0.24***	0.01	1										
(8)	Dynamism ST $_{t-1}$	-0.08	0.10	0.06	-0.20***	0.05	0.04	-0.46***	1									
(9)	Complexity $_{t-1}$	-0.49***	0.22***	0.01	-0.53***	0.40***	-0.13*	-0.53***	0.04	1								
(10)	Munificence $_{t-1}$	-0.28***	0.14*	0.07	-0.41***	0.21***	0.00	-0.57***	0.90***	0.40***	1							
(11)	ROA_{t-1}	-0.07	0.03	0.06	-0.09	0.16**	-0.06	-0.06	-0.04	0.05	0.02	1						
(12)	$Size_{t-1}$	0.19***	-0.21***	-0.08	0.21***	-0.30***	0.10	0.34***	-0.21***	-0.22***	-0.32***	-0.22***	1					
(13)	$Leverage_{t-1}$	0.10	-0.12*	-0.09	0.10	-0.17**	0.06	0.02	-0.08	0.09	-0.06	-0.38***	0.23***	1				
(14)	Franchising $_{t-1}$	0.06	0.14*	-0.07	-0.04	0.11*	-0.06	-0.10	0.11	-0.09	0.08	0.12*	-0.37***	0.10	1			
(15)	Geographic Diversification$_{t-1}$	0.05	0.12*	0.04	-0.04	0.32***	-0.22***	-0.22***	0.04	0.18**	0.09	0.23***	-0.26***	-0.13*	0.32***	1		
(16)	Avg. executives' tenure	-0.24***	0.08	0.10	-0.12*	0.02	-0.03	0.04	-0.19***	-0.01	-0.14*	0.21***	0.05	-0.26***	-0.35***	-0.11	1	
(17)	Avg. executives' age	-0.00	-0.12*	0.04	-0.07	0.19***	-0.04	0.16**	-0.35***	0.15**	-0.22***	0.08	0.09	0.07	-0.01	-0.02	0.20***	1
(18)	CEO equity compensation	-0.29***	0.36***	0.01	-0.22***	0.16**	-0.05	-0.03	-0.07	0.05	-0.09	0.12*	0.13*	-0.13*	-0.01	0.25***	0.26***	0.14*

* $p<0.05$, ** $p<0.01$, and *** $p<0.001$

Table 4-4

Variation Inflation Factors (VIF)

	H1			H2a						H2b			H2c		
ROA(NI)$_{t-1}$	1.07	1.15	1.25	1.08	1.17	1.12	1.08	1.17	1.12	1.08	1.16	1.12	1.08	1.16	1.06
Size$_{t-1}$	1.32	1.40	1.25	1.39	1.61	1.36	1.39	1.53	1.22	1.56	1.52	1.36	1.66	1.68	1.58
Leverage$_{t-1}$	1.20	1.15	1.20	1.21	1.19	1.17	1.21	1.16	1.15	1.34	1.26	1.20	1.21	1.16	1.16
Franchising$_{t-1}$	1.20	1.40	1.35	1.20	1.40	1.33	1.30	1.40	1.33	1.40	1.70	1.47	1.24	1.40	1.41
Avg. executives' tenure	1.26	1.35	1.38	1.26	1.35	1.32	1.26	1.36	1.33	1.31	1.44	1.32	1.26	1.36	1.32
Avg. executives' age	1.33	1.39	1.46	1.32	1.39	1.42	1.34	1.42	1.43	1.33	1.42	1.42	1.34	1.47	1.53
CEO equity compensation	1.19	1.26	1.21	1.20	1.27	1.14	1.20	1.31	1.16	1.25	1.32	1.14	1.22	1.32	1.14
Competitors' INT Degree $_{t-1}$	1.24			2.46			9.19			3.27			8.03		
Competitors' INT Berry $_{t-1}$		1.20			1.46			4.76			2.04			2.90	
Competitors' INT Speed $_{t-1}$			1.08			2.37			1.75			9.47			1.06
Dynamism_FQ3 $_{t-1}$				1.79	2.52	1.81									
Dynamism_ST3 $_{t-1}$							6.83	6.38	4.78						
Complexity3 $_{t-1}$										1.78	3.04	1.33			
Munificence3 $_{t-1}$													8.15	8.95	5.20
Competitors' INT Degree$_{t-1}$× Dynamism_FQ				2.17											
Competitors' INT Berry$_{t-1}$ × Dynamism_FQ					1.83										
Competitors' INT Speed$_{t-1}$× Dynamism_FQ						2.36									
Competitors' INT Degree$_{t-1}$× Dynamism_ST							9.00								
Competitors' INT Berry$_{t-1-1\ 1}$ × Dynamism_ST								6.32							
Competitors' INT Speed$_{t-1}$ × Dynamism_ST									1.78						
Competitors' INT Degree$_{t-1}$× Complexity										2.26					
Competitors' INT Berry$_{t-1}$× Complexity											2.85				
Competitors' INT Speed$_{t-1}$× Complexity												9.32			
Competitors' INT Degree$_{t-1}$× Munificence													6.80		
Competitors' INT Berry$_{t-1}$× Munificence														4.13	
Competitors' INT Speed$_{t-1}$× Munificence															1.08

4.1.3 Main analyses: Hypotheses testing

The results of HLM estimations for testing Hypothesis 1 are provided in Table 4-5. The columns of 1-(1), 1-(7), and 1-(13) show the base model for each dependent variable only including control variables. From the statistically significant results of the control variables, leverage generally increases the degree of internationalization (e.g., β = 0.053 in Model 1-(1)), but decreases the diversification and speed of internationalization (e.g., β = -0.024 in Model 1-(7), and β = -0.081in Model 1-(14)). The effect of franchising was positive and significant only for the degree of internationalization (e.g., β=0.084), and not for other dependent variables. The effect of the average age of executives was significant and positive only for the speed of internationalization (e.g., β = -0.014 in Model 1-(14)).

Holding control variables constant, Model 1-(2) tests Hypothesis 1 for the degree of internationalization, which is the main relationship between the degree of the internationalization of competitors and the degree of the internationalization a focal firm. Also, Models 1-(3) to Model 1-(6) examine Hypothesis 1 for the degree of internationalization, holding control variables and each environmental moderator constant. All five models found no significant association between the degree of competitors' internationalization and that of a focal firm. Thus, Hypothesis 1 for the degree of internationalization is not supported.

While also holding control variables constant, Model 1-(8) tests Hypothesis 1 for the diversification of internationalization, which is the main relationship between competitors' diversification of internationalization and a focal firms' diversification of internationalization. Also, Models 1-(9) to 1-(12) examine Hypothesis 1 for

diversification of internationalization, holding control variables and environmental conditions constant. Generally, the coefficients of competitors' diversification of internationalization (Competitors' $INTBerry_{t-1}$) are negative and significant (e.g., β =-0.067, $p<0.01$ in Model 1-(9), β =-0.082, $p<0.10$ in Model 1-(10), and β =-0.074, $p<0.01$ in Model 1-(11)). Thus, Hypothesis 1 for the diversification of internationalization is not supported, but the opposite result was revealed.

Holding control variables constant, Model 1-(14) tests Hypothesis 1 for the speed of internationalization, which is the main relationship between competitors' speed of internationalization and a focal firms' speed of internationalization. Also, Models 1-(15) to 1-(18) examine Hypothesis 1 for speed of internationalization, holding control variables and environmental conditions constant. Generally, the coefficients of competitors' speed of internationalization (Competitors' $INTSpeed_{t-1}$) are positive and significant (e.g., β =-0.004, $p<0.01$ in Model 1-(14), 1-(15), and 1-(16), β =-0.003, $p<0.01$ in Model 1-(17), and β =-0.004, $p<0.01$ in Model 1-(18)). Thus, Hypothesis 1 for the speed of internationalization is supported.

To summarize, the effect of competitors' internationalization on a focal firm's internationalization depends on the type of its process: degree, diversification, and speed. It appears that the degree of internationalization does not affect a focal firm, but diversification and speed do. Further interpretations and implications regarding these results are described in the next chapter.

Table 4-5.

Test Results of Hypothesis 1(Competitors' internationalization and focal firm's internationalization)

	DV: Degree$_t$						DV: Berry$_t$						DV: Speed$_t$					
	1-(1)	1-(2)	1-(3)	1-(4)	1-(5)	1-(6)	1-(7)	1-(8)	1-(9)	1-(10)	1-(11)	1-(12)	1-(13)	1-(14)	1-(15)	1-(16)	1-(17)	1-(18)
Constant	-0.073	-0.137	-0.075	-0.076	-0.138	-0.105	0.978***	1.043***	1.048***	1.012***	.920***	1.020***	0.817**	1.260**	1.292**	1.318**	1.359***	1.448**
	(0.06)	*(0.14)*	*(0.06)*	*(0.07)*	*(0.11)*	*(0.07)*	*(0.08)*	*(0.07)*	*(0.06)*	*(0.06)*	*(0.15)*	*(0.07)*	*(0.32)*	*(0.42)*	*(0.43)*	*(0.47)*	*(0.34)*	*(0.42)*
ROA(NI)$_{t-1}$	0.028	0.045	0.044	0.044	0.043	0.042	-0.018	-0.001	-0.001	0.007	-0.005	0.002	-0.146	-0.066	-0.045	-0.042	-0.089	-0.015
	(0.02)	*(0.03)*	*(0.14)*	*(0.03)*	*(0.03)*	*(0.03)*	*(0.02)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.13)*	*(0.03)*	*(0.24)*	*(0.24)*	*(0.24)*	*(0.22)*
Size$_{t-1}$	0.017	0.005	0.004	0.016	0.016	0.015	0.003	0.001	0.004	0.002	0.008	0.000	-0.079	-0.081*	-0.052	-0.066*	-0.096***	-0.086**
	(0.03)	*(0.03)*	*(0.01)*	*(0.03)*	*(0.03)*	*(0.03)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.03)*	*(0.03)*	*(0.04)*	*(0.03)*	*(0.02)*	*(0.03)*
Leverage$_{t-1}$	0.053†	0.054†	0.044	0.057*	0.057*	0.056*	-0.024**	-0.011†	-0.012*	-0.008	-0.013†	-0.009	-0.071	-0.081†	-0.085†	-0.082†	-0.091***	-0.077†
	(0.03)	*(0.03)*	*(0.03)*	*(0.03)*	*(0.03)*	*(0.03)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.04)*	*(0.05)*	*(0.05)*	*(0.05)*	*(0.03)*	*(0.04)*
Franchising$_{t-1}$	0.084**	0.099***	0.151***	0.150**	0.152**	0.151**	-0.007	-0.013	-0.011	-0.016	-0.011	-0.012	0.060	0.070	0.076†	0.073	0.062	0.054
	(0.03)	*(0.02)*	*(0.06)*	*(0.06)*	*(0.06)*	*(0.06)*	*(0.01)*	*(0.02)*	*(0.01)*	*(0.02)*	*(0.02)*	*(0.02)*	*(0.02)*	*(0.05)*	*(0.05)*	*(0.05)*	*(0.07)*	*(0.05)*
Avg. executives' tenure	0.000	0.001	0.001	0.001	0.001	0.001	-0.001	0.000	0.000	0.000	0.000	0.000	0.012	0.013	0.013	0.013	0.014	0.013
	(0.00)	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.01)*	*(0.01)*	0.009	*(0.01)*	*(0.01)*	*(0.01)*
Avg. executives' age	0.000	0.001	0.001	0.001	0.001	0.001	0.001	0.000	0.000	0.000	0.000	0.000	-0.015	-0.014*	-0.015*	-0.014*	-0.013†	-0.012†
	(0.00)	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*
3-year averaged CEO equity compensation	-0.033	-0.049	-0.048	-0.047	-0.050	-0.049	0.020	0.023	0.020	0.024*	0.026*	0.024†	-0.037	-0.047	-0.063	-0.046	-0.021	-0.047
	(0.02)	*(0.03)*	*(0.03)*	*(0.03)*	*(0.03)*	*(0.03)*	*(0.02)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.01)*	*(0.11)*	*(0.14)*	*(0.15)*	*(0.14)*	*(0.13)*	*(0.15)*
Dynamism_FQ			0.004						-0.004*						-0.021			
			(0.01)						*(0.00)*						*(0.02)*			
Dynamism_ST				0.039						0.102***						-0.985		
				(0.24)						*(0.25)*						*(1.13)*		
Complexity					0.073						0.130						-0.336	
					(0.12)						*(0.10)*						*(0.22)*	
Munificence						0.006**						0.007						-0.033**
						(0.00)						*(0.01)*						*(0.01)*
Competitors' INTDegree$_{t-1}$		0.016	0.141	0.154	0.156	0.149												
		(0.11)	*(0.14)*	*(0.11)*	*(0.10)*	*(0.11)*												
Competitors' INTBerry$_{t-1}$								-0.058	-0.067**	-0.082^{+}	-0.074**	-0.070						
								(0.04)	*(0.03)*	*(0.05)*	*(0.03)*	*(0.06)*						
Competitors' INTSpeed$_{t-1}$														0.004*	0.004*	0.004*	0.003^{+}	0.004
														(0.00)	*(0.00)*	*(0.00)*	*(0.00)*	*(0.00)*
Wald Chi^2	121.15***	27.36***	69.18***	6.37^{+}	78.46***	11.62**	73.71***	29.32***	52.22***	145.46***	57.58***	40.14***	19.68***	30.70*	31.14*	30.84*	30.81*	31.39*
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	768	671	667	666	667	668	410	361	361	361	347	361	475	423	424	424	410	424
No. Firms	69	58	58	58	58	58	46	40	40	40	39	40	50	44	44	44	43	44
No. of Cluster	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level respectively.

In Table 4-6, Models 2a-(1), 2a-(2), and 2a-(3) test Hypothesis 2a, which concerns the moderating effect of environmental dynamism on the relationship between competitors' internationalization and a focal firm's internationalization. In Model 2a-(1), the coefficient of the interaction term (*Competitors' INT Degree*$_{t-1}$× *Dynamism*) is positive but statistically insignificant (β =0.012, p>0.10). In Model 2a-(2), the coefficient of the interaction term (*Competitors' INT Berry*$_{t-1}$× *Dynamism*) is positive and statistically significant (β =0.061, p<0.05). Similarly, in Model 2a-(3), the coefficient of the interaction term (*Competitors' INT Speed*$_{t-1}$× *Dynamism*) is positive and statistically significant (β =0.015, p<0.001). Therefore, a dynamic environment, in general, positively moderates the relationship between competitors' internationalization and a focal firm's internationalization. Thus, Hypothesis 2a is supported.

In Table 4-7, Models 2b-(1), 2a-(2), and 2a-(3) test Hypothesis 2b, which concerns the moderating effect of environmental complexity on the relationship between competitors' internationalization and a focal firm's internationalization. In Model 2b-(1), the coefficient of the interaction term (*Competitors' INT Degree*$_{t-1}$× *Complexity*) is negative and statistically significant (β =-1.675, p<0.001). In Model 2b-(2), the coefficient of the interaction term (*Competitors' INT Berry*$_{t-1}$× *Complexity*) is negative and statistically significant (β =-1.278, p<0.001). In Model 2a-(3), the coefficient of the interaction term (*Competitors' INT Speed*$_{t-1}$× *Complexity*) is negative but statistically not significant (β =-0.095, p>0.10). Therefore, while it does not matter for the speed of internationalization, a complex environment demotivates a focal firm to increase the degree and diversification of internationalization as its competitors increase the

proportion and scope of their international subsidiaries. Thus, Hypothesis 2b is partially supported.

Models 2c-(1), 2c-(2), and 2c-(3) also test Hypothesis 2c, which concerns the moderating effect of environmental munificence on the relationship between competitors' internationalization and a focal firm's internationalization. In Models 2c-(1) and 2c-(3), the coefficients of the interaction term are positive but statistically insignificant (β =0.077, p>0.10 in Model 2c-(1), and β =0.001, p>0.10 in Model 2c-(3)). In Model 2c-(2), the coefficient of the interaction term (*Competitors' INTBerry*$_{t-1}$ × *Munificence*) is negative and statistically significant (β =-0.089, p<0.01). Therefore, Hypothesis 2c is not supported. Rather, a munificent environment demotivates a focal firm to increase its scope of internationalization as it observes competitors increasing the scope of their internationalization. Further discussion regarding these results is presented in the next chapter.

Table 4-6.

Test Results of Hypothesis 2a (Competitors' internationalization and focal firm's internationalization moderated by environmental dynamism)

	H2a:Dynamism		
	DV: Degree$_t$	DV: Berry$_t$	DV: Speed$_t$
	2a-(1)	2a-(2)	2a-(3)
Constant	-0.009	0.962***	1.289***
	(0.07)	*(0.06)*	*(0.40)*
ROA(NI)$_{t-1}$	0.046	-0.006	-0.048
	(0.03)	*(0.01)*	*(0.24)*
Size$_{t-1}$	0.008	0.007	-0.054
	(0.03)	*(0.01)*	*(0.04)*
Leverage$_{t-1}$	0.056†	-0.012*	-0.085†
	(0.03)	*(0.01)*	*(0.05)*
Franchising$_{t-1}$	0.144*	-0.011	0.079†
	(0.57)	*(0.02)*	*(0.05)*
Average executives' tenure	0.001	0.000	0.013
	(0.00)	*(0.00)*	0.009
Average executives' age	0.001	0.000	-0.015*
	(0.00)	*(0.00)*	*(0.01)*
CEO equity compensation	-0.048	0.022†	-0.059
	(0.03)	*(0.01)*	*(0.15)*
Dynamism	0.004	-0.005**	-0.019
	(0.01)	*(0.00)*	*(0.03)*
Competitors' INTDegree$_{t-1}$	0.120		
	(0.12)		
Competitors' INTBerry$_{t-1}$		-0.082***	
		(0.01)	
Competitors' INTSpeed$_{t-1}$			0.011**
			(0.00)
Competitors' INT Degree$_{t-1}$× Dynamism	0.012		
	(0.04)		
Competitors' INT Berry$_{t-1}$ × Dynamism		0.061*	
		(0.03)	
Competitors' INT Speed$_{t-1}$× Dynamism			0.015***
			(0.00)
Wald Chi^2	69.18***	52.22***	31.14*
Year effects	Yes	Yes	Yes
Obs.	667	361	424
No. Firms	58	40	44
No. of Cluster	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

Table 4-7.

Test Results of Hypothesis 2b & 2c (Competitors' internationalization and focal firm's internationalization moderated by environmental complexity and munificence)

	H2b: Complexity			H2c: Munificence		
	DV: Degree$_t$ 2b-(1)	DV: Berry$_t$ 2b-(2)	DV: Speed$_t$ 2b-(3)	DV: Degree$_t$ 2c-(1)	DV: Berry$_t$ 2c-(2)	DV: Speed$_t$ 2c-(3)
Constant	-0.013	0.965***	1.248**	-0.026	.948***	1.355***
	(0.08)	*(0.06)*	*(0.45)*	*(0.09)*	*(0.06)*	*(0.42)*
ROA(NI)$_{t-1}$	0.041	-0.002	-0.034	0.042	-0.003	-0.014
	(0.03)	*(0.01)*	*(0.22)*	*(0.03)*	*(0.01)*	*(0.22)*
Size$_{t-1}$	0.011	0.008	-0.071*	0.014	0.006	-0.085**
	(0.03)	*(0.01)*	*(0.03)*	*(0.04)*	*(0.01)*	*(0.03)*
Leverage$_{t-1}$	0.059*	-0.013*	-0.077*	0.056*	-0.012†	-0.077†
	(0.03)	*(0.01)*	*(0.04)*	*(0.03)*	*(0.01)*	*(0.04)*
Franchising$_{t-1}$	0.139*	-0.011	0.060	0.150*	-0.011	0.054
	(0.06)	*(0.02)*	*(0.05)*	*(0.06)*	*(0.01)*	*(0.05)*
Average executives' tenure	0.001	-0.000	0.013	0.001	0.000	0.013
	(0.00)	*(0.00)*	*(0.01)*	*(0.00)*	*(0.00)*	*(0.01)*
Average executives' age	0.001	0.000	-0.014†	0.001	0.000	-0.012†
	(0.00)	*(0.00)*	*(0.01)*	*(0.00)*	*(0.00)*	*(0.01)*
CEO equity compensation	-0.051	0.019	-0.043	-0.050†	0.022†	-0.047
	(0.03)	*(0.01)*	*(0.15)*	*(0.03)*	*(0.01)*	*(0.15)*
Complexity	0.113*	0.129†	-0.150			
	(0.06)	*(0.08)*	*(0.23)*			
Munificence				0.014*	0.013**	-0.033***
				(0.01)	*(0.01)*	*(0.01)*
Competitors' INTDegree$_{t-1}$	0.095			0.255***		
	(0.10)			*(0.06)*		
Competitors' INTBerry$_{t-1}$		-0.104**			-0.163***	
		(0.04)			*(0.06)*	
Competitors' INTSpeed$_{t-1}$			-0.002			0.004†
			(0.01)			*(0.00)*
Competitors' INTDegree$_{t-1}$× Complexity	-1.675***					
	(0.61)					
Competitors'INTBerry$_{t-1}$ × Complexity		-1.278***				
		(0.19)				
Competitors' INTSpeed$_{t-1}$ × Complexity			-0.095			
			(0.22)			
Competitors' INTDegree$_{t-1}$ × Munificence				0.077		
				(0.05)		
Competitors'INTBerry$_{t-1}$ × Munificence					-0.089***	
					(0.02)	
Competitors' INTSpeed$_{t-1}$ × Munificence						0.001
						(0.01)
Wald Chi^2	78.46***	57.58***	30.81*	11.62**	40.14***	31.39*
Year effects	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	667	347	410	668	361	424
No. Firms	58	39	43	58	40	44
No. of Cluster	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

4.2 Study 2: The Effect of Internationalization on Firm Performance

4.2.1 Structure of samples and descriptive statistics

As in Study 1, the panel data of Study 2 consisted of 3,976 firm-year observations identified by the NAICS over the period from 1992 to 2016. Table 5-1 summarizes the sample structure of Study 2. Overall Full- and Limited Service Restaurants (NAICS code 722511 and 722513) composed 64.7% of the sample, and Hotels and Motels excluding Casino Hotels (NAICS code 721110) and Casino Hotels (NAICS code 721120) constituted 20.7% and 14.6% of the sample, respectively. Out of 3,976 observations, I excluded some observations with missing values, depending on the testing models. In addition, I checked for outliers using the criteria of an absolute value of studentized residual of 4 (Younger, 1979) and removed them for further analyses. Consequently, the final sample size for analyses ranges from 247 to 799, and is specified in each result table.

Table 5-1

Sample Structure of Study 2

NAICS		Freq.	Percent	Cum.
721110	Hotels and Motels excluding Casino Hotels	822	20.7%	20.7%
721120	Casino Hotels	582	14.6%	35.3%
722511	Full-Service Restaurants	1,698	42.7%	78.0%
722513	Limited-Service Restaurants	874	22.0%	100.0%
Total		3,976	100.0%	0.0%

Table 5-2 shows the mean and the standard deviation of each variable in Study 2. The mean value of Tobin's q (Q) was 3.54, with a standard deviation of 51.14. This

means that hospitality firms, on average, are overvalued in the market. The mean value of return on assets (ROA) was -0.68, with a standard deviation of 15.06. Hospitality firms generally suffer from low asset efficiency. The mean value of international returns (IR) was 0.61, with a standard deviation of 10.61. This indicates that hospitality firms, on average, experience international growth of 61% each year. Three independent variables (INT Degree, INT Berry, and INT Speed) show a similar pattern to those in Study 1. Furthermore, five moderators (nationality, functional background, international experience, operating ability, and external ties) are also described in Table 5-2. The nationality of the top management team in the hospitality industry has a mean of 0.06, with a standard deviation of 0.13, which means that they are less diversified within the team in terms of nationality. In the sample of the study, most executives are determined to be American. The functional background of TMTs has a mean of 0.43, with a standard deviation of 0.21, and the functional background of CEO has a mean of 0.56, with a standard deviation of 0.50. International experiences of the CEO and TMT have means of 0.53 and 0.36, respectively, which indicates that not many executives of hospitality firms have worked or been educated in international settings. The operating ability of the TMT and CEO has a mean of 0.00 and -0.01, with a standard deviation of 0.06 and 0.09, respectively. CEOs' external ties have a mean of 0.32, with a standard deviation of 0.89.

Table 5-2.

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Q	3,727	3.54	51.14	-1.00	2511.50
Return on assets (ROA)	3,727	-0.68	15.06	-623.83	18.16
International returns (IR)	2,043	0.61	10.61	-31.29	317.00
lINT Degree $_{t-1}$	2,105	0.08	0.19	0.00	1.00
lINT Berry $_{t-1}$	722	0.95	0.16	0.00	1.00
lINT Speed $_{t-1}$	741	0.18	1.09	-1.00	17.36
TMT Nationality $_{t-1}$	983	0.06	0.13	0.00	0.73
Output-functional CEO $_{t-1}$	983	0.56	0.50	0.00	1.00
Output-functional TMT $_{t-1}$	983	0.43	0.21	0.00	1.00
CEO INT experience $_{t-1}$	983	0.36	1.39	0.00	11.00
TMT INT experience $_{t-1}$	981	0.53	1.10	0.00	7.00
CEO operating ability $_{t-1}$	983	-0.01	0.09	-0.45	0.11
TMT operating ability $_{t-1}$	997	0.00	0.06	-0.62	0.10
CEO external ties $_{t-1}$	1,007	0.32	0.89	0.00	10.00
Total assets	3,734	$1,349.37	$3,802.93	$0.00	$37,938.70
Size$_{t-1}$	3,597	2.11	1.06	0.00	4.58
Total liabilities	3,726	$925.24	$2,754.44	$0.00	$33,228.20
Leverage$_{t-1}$	3,350	1.26	16.27	0.00	667.00
Capital intensity $_{t-1}$	3,350	0.59	0.24	0.00	1.16
Liquidity $_{t-1}$	3,204	1.75	13.91	-0.03	568.00
Franchising$_{t-1}$	2,160	0.26	0.32	0.00	2.30
Avg. executives' tenure	1,081	8.20	4.74	0.67	27.50
Ave. executives' age	1,081	50.26	4.58	36.00	65.25
CEO equity compensation$_{t-1}$	972	0.38	0.23	0.00	1.00

4.2.2 Preliminary Analysis

Table 5-3 shows the results of Pearson correlations among variables in Study 2. Among explanatory variables, there are no extremely high correlations except CEO operating ability with TMT operating ability ($\rho = 0.71$) and Franchising with Capital intensity ($\rho = -0.70$). Since each moderating variable is included separately in the models, the high correlations between CEO and TMT operating ability would not influence the estimation. However, the high correlation between Franchising and Capital intensity may unduly influence the regression estimation because of a potential multicollinearity issue.

To ensure that the high correlations between variables do not generate unstable estimates, a test for multicollinearity was conducted. Appendix A shows the results of Variance Inflation Factors (VIF) for main analyses. Since most VIF values are less than 10, the variances of estimates are not inflated by severe correlations of variables and thus the estimation of the analyses is reliable (Kutner et al., 2005; O'Brien, 2007). However, models to examine Hypothesis 8 (the moderating role of CEOs' external ties on the relationship between the diversification of internationalization and firm performance) have high VIF values (see Appendix). As in Study 1, the models with interaction terms are likely to have high multicollinearity between first-order variables and the interaction term. To alleviate this issue, three independent variables (INT degree, INT Berry, INT Speed) and all moderators (nationality, functional background, international experience, operating ability, and external ties) were mean-centered.

Table 5-3.

Pearson's Correlations

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
(1)	Q	1																				
(2)	ROA (NI)	.55***	1																			
(3)	IR	-.06	-.10	1																		
(4)	lINT Degree	.13	.06	-.06	1																	
(5)	lINT Berry	.06	.05	.03	-.54***	1																
(6)	lINT Speed	.09	.07	-.01	-.09	.03	1															
(7)	TMT Nationality	-.10	-.01	-.04	.08	.06	-.15*	1														
(8)	Output-functional CEO	.20**	.14*	.08	-.15*	.23***	.06	-.06	1													
(9)	Output-functional TMT	.37***	.29***	.03	.00	.08	.05	.07	.55***	1												
(10)	CEO INT experience	-.09	-.10	-.04	.33***	.06	.02	.23***	-.12	-.07	1											
(11)	TMT INT experience	-.07	-.08	-.05	.46***	-.04	-.10	.44***	-.12	-.03	.50***	1										
(12)	CEO INT external ties	.11	.06	-.03	.21**	.08	.07	.09	-.06	.06	.22***	.17*	1									
(13)	CEO operating ability	.25***	.16*	-.04	.02	-.20**	.11	-.25***	.15*	.16*	-.05	-.04	.01	1								
(14)	TMT operating ability	.32***	.24***	-.17**	-.17**	-.07	.11	-.07	.23***	.29***	-.08	-.08	-.03	.71***	1							
(15)	Size	-.14*	-.17*	-.05	.17**	-.18**	-.10	.28***	-.13	-.03	.33***	.11	.23***	-.02	.05	1						
(16)	Leverage	.40***	.21**	-.00	.21**	-.01	-.08	.02	-.06	.04	.01	-.10	.11	-.26***	-.23***	-.08	1					
(17)	Capital intensity	-.31***	-.12	-.10	-.25***	-.12	.06	-.28***	-.19**	-.29***	-.28***	-.21**	-.32***	.16*	.18**	-.10	-.34***	1				
(18)	Liquidity	.35***	.14*	-.01	.30***	-.30***	.05	-.11	-.04	.12	-.01	-.03	.12	.21**	.13	.22***	-.07	-.27***	1			
(19)	Franchising	.18**	.18**	-.06	.20**	.19**	-.02	.22***	.27***	.37***	.22***	.13*	.23***	-.22***	-.25***	-.16*	.31***	-.70***	-.03	1		
(20)	Avg. executives' tenure	.10	.13*	-.04	-.32***	.11	.03	-.14*	.03	.02	.13	-.11	.16*	.22***	.31***	.15*	-.23***	.19**	.01	-.16*	1	
(21)	Ave. executives' age	-.02	-.03	-.03	-.00	-.08	-.10	.15*	.01	.04	.28***	.13*	.22***	-.03	-.02	.23***	-.13	-.29***	.06	.13*	.41***	1
(22)	3-yr CEO equity	.41***	.31***	-.12	-.18**	.37***	-.05	.21**	.27***	.28***	.02	-.05	.14*	.08	.31***	.17**	-.04	-.21**	.16*	.19**	.27***	.20**

* *p<0.05*, ** *p<0.01*, and *** *p<0.001*

4.2.3 Main analyses: Hypotheses testing

The results of HLM estimations for testing Hypothesis 3 are presented in Table 5-4. The columns of Models 3-(1), 3-(2), and 3-(3) indicate the base models for each dependent variable only considering control variables. From the statistically significant results of the control variables, a firm's previous performance (ROA_{t-1}) positively affects firm performance in the following period (e.g., β = 2.033 in Model 3-(1), and β = 0.233 in Model 3-(2)). Firm size ($Size_{t-1}$) weakens a firm's financial and operational performances (e.g., β = -0.714 in Model 3-(1), β = -0.031 in Model 3-(2)). The effect of franchising is generally positive for financial and operational performances (e.g., β=0.569 in Model 3-(1), β = 0.036 in Model 3-(2)), but it is negative for a firm's international returns (e.g., β = -0.924 in Model 3-(3)). Among control variables at an individual level, the effect of executives' tenures is significant and positive only for the ROA (e.g., β = 0.003 in Model 3-(2)). The effect of executives' equity compensation is significant and positive only for a firm's operational performance (ROA) (e.g., β = 0.021 in Model 3-(2)).

Models 3-(4), 3-(5), and 3-(6) test Hypothesis 3 for the relationship between degree of internationalization and firm performance, holding control variables constant. The coefficient of $INT\ Degree_{t-1}$ is positive and significant for a firm's financial performance (Q) (β = 0.966, $p<0.01$ in Model 3-(4)) but insignificant for other performance measures.

Models 3-(7), 3-(8), and 3-(9) also test Hypothesis 3 for the relationship between diversification of internationalization and firm performance, holding control variables constant. The coefficient of $INT\ Berry_{t-1}$ is positive and significant for a firm's financial

performance (Q) (β = 3.593, $p<0.01$ in Model 3-(7)) but statistically not significant for a firm's operational performance (ROA) and international returns (IR).

Finally, Models 3-(10), 3-(11), and 3-(12) test Hypothesis 3 for the relationship between the speed of internationalization and firm performance, holding control variables constant. The coefficient of INT Speed$_{t-1}$ is positive and significant for a firm's financial performance (Q) and operational performance (ROA) (β = 0.089, $p<0.001$ in Model 3-(10), and β = 0.003, $p<0.05$ in Model 3-(11)) but insignificant for a firms' international returns.

To summarize, the effect of internationalization on firm performance differs according to the type of performance measure. Generally, internationalization positively affects a firm's market-based performance (Q), but it is not significant for other measures of performance. Thus, Hypothesis 3, which concerns the negative relationship between internationalization and firm performance, is not supported. Rather, support for the opposite direction was found.

Table 5-4.

Test of Hypothesis 3 (Internationalization and firm performance)

	INTDeree - PF						INT Berry- PF			INTSpeed- PF		
	DV: Q_t		DV: ROA_t		DV: IR_t		DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t
	3-(1)	3-(2)	3-(3)	3-(4)	3-(5)	3-(6)	3-(7)	3-(8)	3-(9)	3-(10)	3-(11)	3-(12)
Constant	3.626	3.468**	-0.020	0.073	-0.651	-0.792	-1.593	0.003	-2.998	3.614***	0.112+	6.330
	(0.72)	*(1.09)*	*(0.06)*	*(0.07)*	*(1.01)*	*(2.32)*	*(1.36)*	*(0.19)*	*(5.62)*	*(0.50)*	*(0.06)*	*(4.42)*
ROA(NI) $_{t-1}$	2.033***	0.966**	.223***	0.204***	0.134	0.270	2.057***	.310***	0.926	3.461***	.315***	2.277
	(0.26)	*(0.28)*	*(0.04)*	*(0.05)*	*(1.53)*	*(1.46)*	*(0.47)*	*(0.03)*	*(6.78)*	*(0.91)*	*(0.08)*	*(3.55)*
Size $_{t-1}$	-0.714+	-0.703+	-0.031***	-0.028*	0.570**	0.523**	-.638***	-.029**	-0.470	-0.676***	-.033**	-0.096
	(0.37)	*(0.38)*	*(0.01)*	*(0.01)*	*(0.21)*	*(0.19)*	*(0.19)*	*(0.01)*	*(1.22)*	*(0.18)*	*(0.01)*	*(0.30)*
Leverage $_{t-1}$	-0.010	0.061	0.012	0.008	-0.048	0.027	.396+	.016***	-.573***	0.228	.016***	-0.338
	(0.19)	*(0.25)*	*(0.01)*	*(0.01)*	*(0.11)*	*(0.20)*	*(0.23)*	*(0.00)*	*(0.15)*	*(0.15)*	*(0.00)*	*(0.39)*
Capital intensity $_{t-1}$	-0.029*	-.505*	0.002	0.005	-1.027	-0.438	0.242	-0.005	-0.496	-.733*	-.038***	-2.931
	(0.13)	*(0.23)*	*(0.02)*	*(0.02)*	*(0.88)*	*(1.32)*	*(0.22)*	*(0.01)*	*(2.24)*	*(0.31)*	*(0.01)*	*(2.13)*
Liquidity $_{t-1}$	0.025	0.009	0.007	0.007	0.143	0.239	0.034	0.001	-.623*	-0.069	-0.004	-0.100
	(0.13)	*(0.15)*	*(0.01)*	*(0.01)*	*(0.47)*	*(0.56)*	*(0.21)*	*(0.01)*	*(0.26)*	*(0.23)*	*(0.01)*	*(0.42)*
Franchising $_{t-1}$	0.569***	0.494***	0.036*	0.038+	-0.924**	-0.480	.760**	.024+	-1.624**	0.320	0.018	-2.340***
	(0.13)	*(0.11)*	*(0.02)*	*(0.02)*	*(0.35)*	*(0.61)*	*(0.31)*	*(0.01)*	*(0.52)*	*(0.42)*	*(0.01)*	*(0.53)*
Avg. executives' tenure	0.029	0.034+	0.003*	0.002+	-0.001	-0.003	.059*	.003***	-0.002	.049+	.002***	-0.018
	(0.02)	*(0.02)*	*(0.00)*	*(0.00)*	*(0.01)*	*(0.02)*	*(0.03)*	*(0.00)*	*(0.03)*	*(0.03)*	*(0.00)*	*(0.01)*
Avg. executives' age	-0.008***	-0.009***	0.000	0.000	-0.031**	-0.007	-0.005	0.000	0.054	-0.006	0.000	0.015
	(0.00)	*(0.00)*	*(0.00)*	*(0.00)*	*(0.01)*	*(0.02)*	*(0.01)*	*(0.00)*	*(0.15)*	*(0.00)*	*(0.00)*	*(0.05)*
CEO equity $_{t-1}$	0.610*	0.672*	0.021**	0.025**	-0.820	-1.001	0.347	0.049***	-0.788	0.473	.043***	-0.156
	(0.29)	0.672*	*(0.01)*	*(0.01)*	*(0.87)*	*(0.78)*	*(0.33)*	*(0.01)*	*(2.11)*	*(0.37)*	*(0.01)*	*(1.61)*
INT Degree $_{t-1}$		0.966**		-0.014		-0.618						
		(0.32)		*(0.02)*		*(1.42)*						
INT Berry $_{t-1}$							3.593**	0.072	3.438+			
							(1.17)	*(0.13)*	*(1.99)*			
INT Speed $_{t-1}$										.089***	.003*	0.389
										(0.01)	*(0.00)*	*(0.37)*
Wald Chi^2	270.95***	270.94***	56.47***	371.59***	87.77***	32.35***	388.52***	207.40***	19.13***	30.42***	154.85***	9.15*
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	799	770	796	768	604	586	394	392	253	438	435	294
No. Firms	70	69	71	70	66	65	44	45	38	47	47	41
No. of Cluster	4	4	4	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level respectively.
( ) contains robust standard errors.

The results of HLM estimations for testing Hypothesis 4 are provided in Table 5-5. Models 4-(1), 4-(2), and 4-(3) test the moderating effect of nationality on the relationship between the degree of internationalization and a firm's performance. In Model 4-(1), the coefficient of the interaction term (INTDegreet-1 × TMT nationality) is positive and statistically significant for financial performance (Q) (β =3.439, $p<0.05$). In Model 4-(2), the coefficient of the interaction term (INTDegreet-1 × TMT nationality) is negative and statistically significant for operational performance (ROA) (β =-0.172, $p<0.001$). In Model 4-(3), the coefficient of the interaction term (INTDegreet-1 × TMT nationality) is negative but statistically not significant for international returns (β =-2.107, $p>0.10$).

Models 4-(4), 4-(5), and 4-(6) test the moderating effect of nationality on the relationship between the diversification of internationalization and a firm's performance. In Models 4-(4) and 4-(5), the coefficients of the interaction term ($INTBerry_{t-1}$ × *TMT nationality*) are statistically not significant for financial and operational performance (β =-6.664, $p>0.10$ in Model 4-(4) and β =0.238, $p>0.10$ in Model 4-(5)). In Model 4-(6), the coefficient of the interaction term ($INTBerry_{t-1}$ × *TMT nationality*) is positive and statistically significant for international returns (IR) (β =17.678, $p<0.05$).

Models 4-(7), 4-(8), and 4-(9) test the moderating effect of nationality on the relationship between the speed of internationalization and a firm's performance. In Model 4-(7), the coefficient of the interaction term ($INTSpeed_{t-1}$ × *TMT nationality*) is negative and statistically significant for financial performance (Q) (β =-1.646, $p<0.01$). In Model 4-(8), the coefficient of the interaction term ($INTSpeed_{t-1}$ × *TMT nationality*) is positive and statistically significant for operational performance (ROA) (β =0.095, $p<0.01$). In

Model 4-(9), the coefficient of the interaction term ($INTSpeed_{t-1} \times TMT\ nationality$) is positive but statistically not significant for international returns (β =10.208, p>0.10).

To summarize, the moderating effects of the diversity of nationalities among the TMT on the relationship between internationalization and firm performance vary depending on the type of internationalization and firm performance. For market-based performance, TMT diversity is beneficial as a firm increases the proportion of international properties in its total operations, whereas it has a negative influence when a firm increases its internationalization too quickly. In terms of operational performance, the diversity of nationalities among executives is not beneficial as a firm increases the proportion of international operations, but it is helpful for improving operational performance when a firm increases the pace of internationalization. Hypothesis 4 is partially supported, though I found opposite results as well. Further discussion regarding these results is presented in the next chapter.

Table 5-5.

Test of Hypothesis 4 (Internationalization and firm performance moderated by nationality)

	INTDegree * Nationality			INTBerry * Nationality			INTspeed * Nationality		
	DV: Q_t 4-(1)	DV: ROA_t 4-(2)	DV: IR_t 4-(3)	DV: Q_t 4-(4)	DV: ROA_t 4-(5)	DV: IR_t 4-(6)	DV: Q_t 4-(7)	DV: ROA_t 4-(8)	DV: IR_t 4-(9)
Constant	3.994**	0.133	0.799	-6.935*	0.016	-1.652	4.128***	0.112^{+}	5.782
	(1.53)	*(0.14)*	*(1.91)*	*(3.00)*	*(0.22)*	*(6.81)*	*(0.19)*	*(0.06)*	*(4.02)*
ROA(NI) $_{t-1}$	1.607**	.175***	0.941	1.674***	.315***	0.482	3.313**	0.321***	2.805
	(0.58)	*(0.02)*	*(0.93)*	*(0.36)*	*(0.04)*	*(7.03)*	*(0.97)*	*(0.09)*	*(3.97)*
Size $_{t-1}$	-.842*	-0.042	.372*	-.874***	-.029**	-0.551	-.768***	-.034***	-0.158
	(0.39)	*(0.03)*	*(0.18)*	*(0.24)*	*(0.01)*	*(1.08)*	*(0.15)*	*(0.01)*	*(0.27)*
Leverage $_{t-1}$	-.485^{+}	-0.012	-0.127	0.037	.013**	-0.643**	-0.031	0.014**	-0.337
	(0.28)	*(0.01)*	*(0.21)*	*(0.39)*	*(0.00)*	*(0.20)*	*(0.22)*	*(0.00)*	*(0.40)*
Capital intensity $_{t-1}$	-0.170	-0.002	-0.941	0.078	-0.009	-0.883	-.984**	-.038***	-2.845
	(0.28)	*(0.03)*	*(0.12)*	*(0.26)*	*(0.01)*	*(2.72)*	*(0.30)*	*(0.01)*	*(2.21)*
Liquidity $_{t-1}$	-0.018	0.002	-0.080	-0.016	0.000	-0.651*	-0.167	-0.004	-0.004
	(0.16)	*(0.01)*	*(0.43)*	*(0.18)*	*(0.01)*	*(0.28)*	*(0.22)*	*(0.01)*	*(0.39)*
Franchising $_{t-1}$	.530**	0.039	-0.624	.603*	0.025†	-1.774***	0.182	0.017	-2.555***
	(0.19)	*(0.04)*	*(0.43)*	*(0.25)*	*(0.01)*	*(0.35)*	*(0.66)*	*(0.01)*	*(0.55)*
Avg. executives' tenure	0.027	0.002^{+}	0.010	.066**	0.002***	-0.014	0.044^{+}	0.002***	-.030**
	(0.02)	*(0.00)*	*(0.43)*	*(0.02)*	*(0.00)*	*(0.04)*	*(0.02)*	*(0.00)*	*(0.01)*
Ave. executives' age	-0.005	0.001	-0.020	0.001	0.000	0.055	-0.004	0.000	0.027
	(0.01)	*(0.00)*	*(0.02)*	*(0.00)*	*(0.00)*	*(0.16)*	*(0.01)*	*(0.00)*	*(0.05)*
CEO equity $_{t-1}$	0.335	0.013	-0.504	0.217	.046**	-0.376	0.507	0.039**	-0.006
	(0.35)	*(0.01)*	*(0.66)*	*(0.18)*	*(0.01)*	*(1.94)*	*(0.39)*	*(0.01)*	*(1.36)*
INT Degree $_{t-1}$	.761*	-0.035	0.323						
	(0.38)	*(0.03)*	*(1.13)*						
INT Berry $_{t-1}$				9.379**	0.063	2.731*			
				(3.01)	*(0.16)*	*(1.10)*			
INT Speed $_{t-1}$							.084***	0.002†	0.181
							(0.01)	*(0.00)*	*(0.24)*
TMTnationality $_{t-1}$	-.973**	.070**	-0.006	5.709	-0.232	-18.557*	-.615*	0.012	-0.062
	(0.37)	*(0.02)*	*(0.56)*	*(9.47)*	*(0.74)*	*(8.05)*	*(0.27)*	*(0.02)*	*(0.68)*
INTDegree $_{t-1}$ × TMTnationality $_{t-1}$	3.439*	-0.172***	-2.107						
	(1.47)	*(0.05)*	*(4.20)*						
INTBerry $_{t-1}$ × TMTnationality $_{t-1}$				-6.664	0.238	17.678*			
				(9.44)	*(0.73)*	*(8.02)*			
INTSpeed $_{t-1}$× TMTnationality $_{t-1}$							-1.646**	.095**	10.208
							(0.51)	*(0.03)*	*(6.48)*
Wald Chi^2	106.93***	43.24***	5.68	16.02**	9.95*	21.80***	28.51***	59.93***	4.36
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	747	744	568	385	383	247	430	427	288
No. Firms	69	69	65	44	45	38	47	47	41
No. of Cluster	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

The results of HLM estimations for testing Hypothesis 5a are provided in Table 5-6. Models 5a-(1), 5a-(2), and 5a-(3) test the moderating effect of executives' functional background on the relationship between the degree of internationalization and a firm's performance. In all three models, none of the coefficients of the interaction term ($INTDegree_{t-1} \times TMT$ function $_{t-1}$) are statistically significant.

Similarly, Models 5a-(4), 5a-(5), and 5a-(6) test the moderating effect of executives' functional backgrounds on the relationship between the diversification of internationalization and a firm's performance. All three models showed insignificant coefficients of the interaction term ($INTBerry_{t-1} \times TMT\ function_{t-1}$).

Models 5a-(7), 5a-(8), and 5a-(9) test the moderating effect of executives' functional backgrounds on the relationship between the speed of internationalization and a firm's performance. In Model 5a-(7), the coefficient of the interaction term ($INTSpeed_{t-1} \times TMT\ function_{t-1}$) is negative and statistically significant for financial performance (Q) (β =-0.171, p<0.05). In Model 5a-(8), the coefficient of the interaction term ($INTSpeed_{t-1} \times TMT\ function_{t-1}$) is positive but statistically insignificant for operational performance (ROA) (β =0.010, p>0.10). In Model 5a-(9), the coefficient of the interaction term ($INTSpeed_{t-1} \times TMT\ function_{t-1}$) is negative and statistically significant for international returns (IR) (β =-1.460, p<0.001).

Summarizing the results, the moderating effects of executives' functional backgrounds are significant only for the speed of internationalization and firm performance. For market-based performance and international returns, TMTs with an output functional background generally have a negative moderating impact. Therefore, Hypothesis 5a is partially supported, though an opposite result was also found.

The results of HLM estimations for testing Hypothesis 5b are provided in Table 5-7. Models 5b-(1), 5b-(2), and 5b-(3) test the moderating effect of CEOs' functional backgrounds on the relationship between the degree of internationalization and a firm's performance. In Models 5b-(1) and 5b-(3), the coefficients of the interaction term ($INTDegree_{t-1} \times CEO\ function_{t-1}$) are statistically not significant for both financial performance (Q) and international returns (IR). In Model 5b-(2), the coefficient of the interaction term ($INTDegree_{t-1} \times CEO\ function_{t-1}$) is positive and statistically significant for operational performance (ROA) (β =0.058, p<0.05)

Similarly, Models 5b-(4), 5b-(5), and 5b-(6) test the moderating effect of CEOs' functional background on the relationship between the diversification of internationalization and a firm's performance. In Model 5b-(4), the coefficient of the interaction term ($INTBerry_{t-1} \times CEO\ function_{t-1}$) is negative and statistically significant for financial performance (Q) (β =-5.885, p<0.05). In Model 5b-(5), the coefficient of the interaction term ($INTBerry_{t-1} \times CEO\ function_{t-1}$) is positive and statistically significant for operational performance (ROA) (β =0.174, p<0.05). In Model 5b-(6), the coefficient of the interaction term ($INTBerry_{t-1} \times CEO\ function_{t-1}$) is positive and statistically significant for international returns (IR) (β =3.388, p<0.01).

Models 5b-(7), 5b-(8), and 5b-(9) test the moderating effect of CEOs' functional background on the relationship between the speed of internationalization and a firm's performance. In Models 5b-(7) and 5b-(9), coefficients of the interaction term ($INTSpeed_{t-1} \times CEO\ function_{t-1}$) are statistically not significant for both financial performance (Q) and international returns (IR). In Model 5b-(8), the coefficient of the

interaction term ($INTSpeed_{t-1} \times CEO\ function_{t-1}$) is negative and statistically significant for operational performance (ROA) (β =-0.007, p<0.05)

To summarize, the moderating effect of CEOs' functional backgrounds is most significant for operational performance (ROA). CEOs with an output functional background are better at operating international businesses increasing the degree and geographical scope of internationalization. However, when a firm speeds up its internationalization, output-focused CEOs seem not beneficial to generating a positive performance. Thus, Hypothesis 5b is partially supported, while the opposite results were also found. Further discussion regarding these results is presented in the following chapter.

Table 5-6.

Test of Hypothesis 5a (Internationalization and firm performance moderated by TMT functional background)

	INTDgree * TMT Functional			INTBerry* TMT Functional			INTSpeed* TMT Functional		
	DV: Q_t 5a-(1)	DV: ROA_t 5a-(2)	DV: IR_t 5a-(3)	DV: Q_t 5a-(4)	DV: ROA_t 5a-(5)	DV: IR_t 5a-(6)	DV: Q_t 5a-(7)	DV: ROA_t 5a-(8)	DV: IR_t 5a-(9)
Constant	3.183*	3.181**	0.478	-0.726	0.281†	-6.213	3.684***	0.114†	6.746
	(1.39)	*(1.39)*	*(2.00)*	*(2.11)*	*(0.17)*	*(11.03)*	*(0.34)*	*(0.06)*	*(4.90)*
ROA(NI) $_{t-1}$	1.453**	1.453**	0.756*	1.166**	0.124***	2.126	2.414***	0.321***	2.131
	(0.55)	*(0.55)*	*(1.00)*	*(0.47)*	*(0.02)*	*(5.24)*	*(0.26)*	*(0.09)*	*(3.61)*
Size $_{t-1}$	-.630+	-0.63*	0.353	-0.557**	-0.036*	-0.601	-0.745***	-0.028***	-0.194
	(0.35)	*(0.35)*	*(0.17)*	*(0.20)*	*(0.01)*	*(1.04)*	*(0.19)*	*(0.01)*	*(0.18)*
Leverage $_{t-1}$	-0.092	-0.092	-0.095	0.211	0.015***	-0.672***	0.089	0.014***	-0.354
	(0.20)	*(0.20)*	*(0.17)*	*(0.31)*	*(0.00)*	*(0.15)*	*(0.16)*	*(0.00)*	*(0.41)*
Capital intensity $_{t-1}$	-0.245	-0.244	-0.840	0.079	-0.019	-1.288	-0.569*	-0.031***	-3.080
	(0.30)	*(0.30)*	*(1.25)*	*(0.34)*	*(0.02)*	*(2.09)*	*(0.32)*	*(0.01)*	*(2.30)*
Liquidity $_{t-1}$	0.010	0.010	-0.035	-0.010	0.000	-0.569*	-0.097	-0.005	-0.018
	(0.15)	*(0.15)*	*(0.41)*	*(0.24)*	*(0.01)*	*(0.30)*	*(0.23)*	*(0.01)*	*(0.35)*
Franchising $_{t-1}$	.468***	0.467***	-0.761+	0.515**	0.003	-1.576***	0.350	0.010	-2.549***
	(0.12)	*(0.12)*	*(0.43)*	*(0.03)*	*(0.01)*	*(0.43)*	*(0.66)*	*(0.01)*	*(0.52)*
Avg. executives' tenure	.029+	0.0287*	0.010	0.059**	0.003***	-0.003	0.0507*	0.002***	-0.020
	(0.02)	*(0.02)*	*(0.01)*	*(0.03)*	*(0.00)*	*(0.03)*	*(0.03)*	*(0.00)*	*(0.01)*
Ave. executives' age	-.010***	-0.010***	-0.022	-0.005	-0.001**	0.044	-0.006	-0.001***	0.012
	(0.00)	*(0.00)*	*(0.02)*	*(0.01)*	*(0.00)*	*(0.14)*	*(0.01)*	*(0.00)*	*(0.06)*
CEO equity $_{t-1}$	.623+	0.623	-0.606	0.434	0.069***	-0.248	0.467	0.037**	-0.029
	(0.32)	*(0.32)*	*(0.66)*	*(0.34)*	*(0.00)*	*(2.41)*	*(0.39)*	*(0.01)*	*(1.37)*
INT Degree $_{t-1}$	0.791	0.790	0.350						
	(0.55)	*(0.55)*	*(1.16)*						
INT Berry $_{t-1}$				3.377**	-0.073	9.763			
				(1.15)	*(0.05)*	*(8.78)*			
INT Speed $_{t-1}$							-0.024	-0.004	1.056**
							(0.06)	*(0.01)*	*(0.44)*
TMT Functional background $_{t-1}$	0.606	0.606	0.734***	2.298	-0.167	12.284	0.506**	0.049***	0.263
	(0.48)	*(0.48)*	*(0.18)*	*(4.76)*	*(0.32)*	*(24.91)*	*(0.24)*	*(0.01)*	*(0.57)*
INT Degree $_{t-1}$× TMT Function $_{t-1}$	0.966	0.965	-0.432						
	(2.19)	*(2.19)*	*(1.45)*						
INT Berry $_{t-1}$ × TMT Function $_{t-1}$				-1.711	0.252	-20.160			
				(4.76)	*(0.33)*	*(27.23)*			
INT Speed $_{t-1}$× TMT Function $_{t-1}$							-0.171*	0.010	-1.46***
							(0.09)	*(0.01)*	*(0.43)*
Wald Chi^2	14.73**	14.73***	25.44**	13.68***	166.30***	6.98*	7.85**	56.11***	2.48
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	748	748	568	386	384	247	431	427	288
No. Firms	69	69	65	44	45	38	47	47	41
No. of Cluster	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

Table 5-7.

Test of Hypothesis 5b (Internationalization and firm performance moderated by CEO functional background)

	INTDegree*CEO Functional			INTBerry*CEO Functional			INTSpeed*CEO Functional		
	DV: Q_t 5b-(1)	DV: ROA_t 5b-(2)	DV: IR_t 5b-(3)	DV: Q_t 5b-(4)	DV: ROA_t 5b-(5)	DV: IR_t 5b-(6)	DV: Q_t 5b-(7)	DV: ROA_t 5b-(8)	DV: IR_t 5b-(9)
Constant	3.200*	0.160	0.141	-0.027	0.065	-2.174	3.436***	0.120†	5.752
	(1.54)	*(0.12)*	*(1.75)*	*(1.94)*	*(0.19)*	*(5.71)*	*(0.30)*	*(0.07)*	*(4.59)*
ROA(NI) $_{t-1}$	1.459**	0.133**	0.818	0.676	0.321***	0.486	0.345***	0.319***	1.466
	(0.54)	*(0.06)*	*(0.79)*	*(0.64)*	*(0.04)*	*(6.44)*	*(0.97)*	*(0.09)*	*(3.44)*
Size $_{t-1}$	-0.663+	-0.041	0.444**	-0.774**	-0.028**	-0.602	-0.661***	-0.032***	0.000
	(0.35)	*(0.03)*	*(0.19)*	*(0.31)*	*(0.01)*	*(1.20)*	*(0.19)*	*(0.01)*	*(0.27)*
Leverage $_{t-1}$	0.026	-0.008	-0.037	-0.207	0.015***	-0.579***	0.184	0.014*	-0.241
	(0.23)	*(0.02)*	*(0.13)*	*(0.62)*	*(0.00)*	*(0.13)*	*(0.18)*	*(0.01)*	*(0.36)*
Capital intensity $_{t-1}$	-0.172	-0.005	-0.526	0.030	-0.007	-0.577	-0.722**	-0.039***	-2.465
	(0.28)	*(0.05)*	*(0.81)*	*(0.61)*	*(0.01)*	*(2.18)*	*(0.32)*	*(0.01)*	*(1.84)*
Liquidity $_{t-1}$	0.041	0.004	-0.003	-0.034	0.000	-0.567*	-0.058	-0.004	0.042
	(0.14)	*(0.01)*	*(0.31)*	*(0.10)*	*(0.01)*	*(0.33)*	*(0.22)*	*(0.01)*	*(0.30)*
Franchising$_{t-1}$	0.428**	0.050**	-0.824**	0.240	0.022	-1.815***	0.239	0.018	-2.533***
	(0.15)	*(0.26)*	*(0.42)*	*(0.27)*	*(0.02)*	*(0.35)*	*(0.59)*	*(0.02)*	*(0.46)*
Avg. executives' tenure	0.032*	0.003**	0.015	0.067**	0.002***	-0.006	0.05*	0.002***	-0.021
	(0.02)	*(0.00)*	*(0.01)*	*(0.03)*	*(0.00)*	*(0.04)*	*(0.03)*	*(0.00)*	*(0.02)*
Ave. executives' age	-0.006	0.000	-0.029	-0.007	0.000	0.056	-0.007	-0.001	0.005
	(0.01)	*(0.00)*	*(0.03)*	*(0.01)*	*(0.00)*	*(0.16)*	*(0.01)*	*(0.00)*	*(0.07)*
CEO equity $_{t-1}$	0.532	0.015	-0.963	0.047	0.050***	-0.695	0.470	0.040***	-0.438
	(0.39)	*(0.02)*	*(0.73)*	*(0.41)*	*(0.01)*	*(2.26)*	*(0.36)*	*(0.01)*	*(1.39)*
INT Degree $_{t-1}$	0.444	-0.050	0.415						
	(0.61)	*(0.05)*	*(0.95)*						
INT Berry $_{t-1}$				4.218**	0.012	2.860**			
				(2.02)	*(0.12)*	*(1.07)*			
INT Speed $_{t-1}$							0.0926**	0.008***	0.46***
							(0.04)	*(0.00)*	*(0.13)*
CEO Functional background $_{t-1}$	0.087	-0.006	0.003	6.022**	-0.162*	-3.148**	0.234*	0.010*	0.923***
	(0.09)	*(0.01)*	*(0.01)*	*(3.32)*	*(0.09)*	*(1.58)*	*(0.13)*	*(0.00)*	*(0.21)*
INT Degree $_{t-1}$× CEO Function $_{t-1}$	1.248	0.058*	-0.308						
	(1.57)	*(0.03)*	*(0.97)*						
INT Berry $_{t-1}$× CEO Function $_{t-1}$				-5.885*	0.174*	3.388**			
				(3.32)	*(0.09)*	*(1.42)*			
INT Speed$_{t-1}$× CEO Function $_{t-1}$							-0.018	-0.007*	-0.255
							(0.04)	*(0.01)*	*(0.31)*
Wald Chi^2	17.64***	3760.17***	31.58**	1100000***	656.75***	21.31***	52.72***	45.17**	11.70***
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	748	745	568	386	383	247	430	427	288
No. Firms	69	69	65	44	45	38	47	47	41
No. of Cluster	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

The results of HLM estimations for testing Hypothesis 6a are provided in Table 5-8. Models 6a-(1), 6a-(2), and 6a-(3) test the moderating effect of executives' international experience on the relationship between the degree of internationalization and a firm's performance. In Models 6a-(1), 6a-(2), and 6a-(3), none of the coefficients of the interaction term ($INTDegree_{t-1} \times TMT\ INTEXP_{t-}1$) are statistically significant for both financial performance (Q) (β =0.120, p>0.10) and operational performance (ROA and IR).

Similarly, Models 6a-(4), 6a-(5), and 6a-(6) test the moderating effect of executives' international experience on the relationship between the diversification of internationalization and a firm's performance. All three models showed insignificant coefficients of the interaction term ($INTBerry_{t-1} \times TMT\ INTEXP_{t-1}$).

Models 6a-(7), 6a-(8), and 6a-(9) test the moderating effect of executives' international experience on the relationship between the speed of internationalization and a firm's performance. In Model 6a-(7), the coefficient of the interaction term ($INTSpeed_{t-1} \times TMT\ INTEXP_{t-1}$) is positive and statistically significant for financial performance (Q) (β =0.053, p<0.001). In Models 6a-(8) and 6a-(9) the coefficients of the interaction term ($INTSpeed_{t-1} \times TMT\ INTEXP_{t-1}$) are statistically insignificant for both operational performance (ROA) (β =0.005, p>0.10) and international returns (IR) (β =-0.083, p>0.10).

Summarizing the results, executives' international experience exhibits its worth when a firm increases the speed of internationalization, particularly in regards to market performance (Q). However, executives' international experience is not helpful for operational performance (ROA) when a firm increases the proportion of international

properties in its units. Thus, Hypothesis 6a is partially supported, while an opposite result was also found.

The results of HLM estimations for testing Hypothesis 6b are provided in Table 5-9. Models 6b-(1), 6b-(2), and 6b-(3) test the moderating effect of CEOs' international experience on the relationship between the degree of internationalization and a firm's performance. In Model 6b-(1), the coefficient of the interaction term ($INTDegree_{t-1} \times CEO\ INTEXP_{t-1}$) is positive and statistically significant for financial performance (Q) (β =0.249, p<0.05). In Models 6b-(2) and 6b-(3), the coefficients of the interaction term ($INTDegree_{t-1} \times CEO\ INTEXP_{t-1}$) are statistically not significant for both operational performance (ROA) and international returns (IR).

Models 6b-(4), 6b-(5), and 6b-(6) test the moderating effect of CEOs' international experience on the relationship between the diversification of internationalization and a firm's performance. In Model 6b-(4), the coefficient of the interaction term ($INTBerry_{t-1} \times CEO\ INTEXP_{t-1}$) is negative and statistically significant for financial performance (Q) (β =-3.696, p<0.01). In Models 6b-(5) and 6b-(6), the coefficients of the interaction term ($INTBerry_{t-1} \times CEO\ INTEXP_{t-1}$) are positive but statistically insignificant for both operational performance (ROA) (β =0.053, p>0.10) and international returns (IR) (β =4.174, p>0.10).

Models 6b-(7), 6b-(8), and 6b-(9) test the moderating effect of CEOs' international experience on the relationship between the speed of internationalization and a firm's performance. None of the coefficients of the interaction term ($INTSpeed_{t-1} \times CEO\ INTEXP_{t-1}$) are statistically significant for both financial performance (Q) and operational performance (ROA and IR).

To recap, the moderating effect of CEOs' international experience is different from that of executives' international experience. The international experience of CEOs is helpful in generating better market performance when a firm has a high proportion of international properties, but it deteriorates a firm's market performance as the firm operates in more countries. Also, as a firm increases the speed of internationalization, CEOs' international experience is not advantageous enough to yield better operational performance. Thus, Hypothesis 6b is partially supported, while opposite results were also found. Further discussion regarding these results is presented in the following chapter.

Table 5-8.

Test of Hypothesis 6a (Internationalization and firm performance moderated by TMT INT experience)

	INTDegree* TMT INT experience			INTBerry* TMT INT experience			INTSpeed*TMT INT experience		
	DV: Q_t 6a-(1)	DV: ROA_t 6a-(2)	DV: IR_t 6a-(3)	DV: Q_t 6a-(4)	DV: ROA_t 6a-(5)	DV: IR_t 6a-(6)	DV: Q_t 6a-(7)	DV: ROA_t 6a-(8)	DV: IR_t 6a-(9)
Constant	3.080*	0.096	0.881	-2.413	-0.002	-1.448	3.594***	0.128*	6.182
	(1.32)	*(0.07)*	*(1.95)*	*(1.66)*	*(0.23)*	*(5.77)*	*(0.23)*	*(0.06)*	*(4.22)*
ROA(NI) $_{t-1}$	1.922***	0.204***	1.027	2.055***	0.312***	0.988	3.359***	0.317***	2.437
	(0.37)	*(0.05)*	*(0.94)*	*(0.74)*	*(0.04)*	*(6.85)*	*(0.98)*	*(0.09)*	*(3.68)*
Size $_{t-1}$	-0.706^{+}	-0.029	0.3624**	-0.604**	-0.029**	-0.486	-0.648***	-0.033***	-(0.12)
	(0.37)	*(0.01)*	*(0.15)*	*(0.23)*	*(0.04)*	*(1.06)*	*(0.20)*	*(0.01)*	*(0.20)*
Leverage $_{t-1}$	-0.080	0.005	-0.157	0.288	-0.028**	-0.857***	0.050	0.012**	-0.402
	(0.17)	*(0.01)*	*(0.23)*	*(0.33)*	*(0.01)*	*(0.13)*	*(0.16)*	*(0.00)*	*(0.40)*
Capital intensity $_{t-1}$	-0.232	-0.002	-1.001	0.212	-0.016*	-1.970	-0.710*	-0.044***	-3.096
	(0.28)	*(0.02)*	*(1.19)*	*(0.24)*	*(0.01)*	*(2.20)*	0.275	*(0.01)*	*(1.93)*
Liquidity $_{t-1}$	0.002	0.005	-0.110	0.089	-0.001	-0.766**	-0.088	-0.006	-0.092
	(0.15)	*(0.01)*	*(0.45)*	*(0.22)*	*(0.01)*	*(0.36)*	*(0.23)*	*(0.01)*	*(0.32)*
Franchising $_{t-1}$	0.581***	0.035	-0.608	0.713**	0.025	-1.970***	0.258	0.019	-2.439***
	(0.10)	*(0.02)*	*(0.47)*	*(0.32)*	*(0.02)*	*(0.50)*	*(0.53)*	*(0.01)*	*(0.50)*
Avg. executives' tenure	0.029^{+}	0.002**	0.001	0.061**	0.002***	-0.024	0.049*	0.002***	-0.029
	(0.02)	*(0.00)*	*(0.10)*	*(0.03)*	*(0.00)*	*(0.06)*	*(0.03)*	*(0.00)*	*(0.02)*
Ave. executives' age	-0.004	0.000	-0.019	0.000	0.000	0.069	-0.005	0.000	0.024
	(0.01)	*(0.00)*	*(0.02)*	*(0.01)*	*(0.00)*	*(0.17)*	*(0.00)*	*(0.00)*	*(0.06)*
CEO equity $_{t-1}$	0.561	0.021***	-0.553	0.262	0.043***	-0.782	0.429	0.039**	-0.036
	(0.37)	*(0.01)*	*(0.70)*	*(0.35)*	*(0.01)*	*(2.09)*	*(0.41)*	*(0.02)*	*(1.58)*
INT Degree $_{t-1}$	0.933^{+}	-0.004	0.483						
	(0.48)	*(0.02)*	*(1.34)*						
INT Berry $_{t-1}$				4.178**	0.082	2.931**			
				(1.56)	*(0.15)*	*(1.36)*			
INT Speed $_{t-1}$							0.050**	0.000	0.394
							(0.02)	*(0.00)*	*(0.46)*
TMT INT EXP $_{t-1}$	-0.005	0.004	-0.178**	0.688	0.014	-0.279	0.036	0.000	-0.167**
	(0.03)	*(0.00)*	*(0.08)*	*(0.44)*	*(0.03)*	*(1.58)*	*(0.03)*	*(0.00)*	*(0.06)*
INT Degree $_{t-1}$ × TMT INT EXP $_{t-1}$	0.120	-0.007	0.097						
	(0.12)	*(0.00)*	*(0.17)*						
INT Berry $_{t-1}$ × TMT INT EXP $_{t-1}$				-0.739	-0.018	-0.238			
				(0.45)	*(0.03)*	*(1.67)*			
INT Speed $_{t-1}$ × TMT INT EXP $_{t-1}$							0.053***	0.005	-0.083
							(0.01)	*(0.00)*	*(0.28)*
Wald Chi^2	10.86*	324.44***	9.52**	254.29***	204.21***	30.03***	59.87***	43.47***	29.25*
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	747	744	568	385	383	247	430	427	288
No. Firms	69	69	65	44	45	38	47	47	41
No. of Cluster	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

Table 5-9.

Test of Hypothesis 6b (Internationalization and firm performance moderated by CEO INT experience)

	INTDegree*CEO INT experience			INTBerry*CEO INT experience			INTSpeed*CEO INT experience		
	DV: Q_t 6b-(1)	DV: ROA_t 6b-(2)	DV: IR_t 6b-(3)	DV: Q_t 6b-(4)	DV: ROA_t 6b-(5)	DV: IR_t 6b-(6)	DV: Q_t 6b-(7)	DV: ROA_t 6b-(8)	DV: IR_t 6b-(9)
Constant	3.695**	0.115	0.340	-1.551	0.016	-5.366	3.549***	0.136*	6.665
	(1.33)	*(0.09)*	*(1.81)*	*(1.30)*	*(0.19)*	*(6.94)*	*(0.31)*	*(0.06)*	*(4.59)*
ROA(NI) $_{t-1}$	1.537**	0.165**	0.696	2.021***	0.315***	0.468	3.408***	0.316***	2.107
	(0.64)	*(0.06)*	*(0.95)*	*(0.44)*	*(0.04)*	*(7.27)*	*(1.00)*	*(0.09)*	*(3.65)*
Size $_{t-1}$	-0.797*	-0.031*	0.447**	-0.639**	-0.031**	-0.327	-0.652***	-0.035**	-0.126
	(0.28)	*(0.02)*	*(0.17)*	*(0.21)*	*(0.01)*	*(1.17)*	*(0.18)*	*(0.01)*	*(0.24)*
Leverage $_{t-1}$	-0.459	0.005	-0.152	0.251	0.013***	-0.642***	0.085	0.012**	-0.367
	(0.39)	*(0.01)*	*(0.20)*	*(0.32)*	*(0.00)*	*(0.16)*	*(0.18)*	*(0.00)*	*(0.41)*
Capital intensity $_{t-1}$	-0.104	0.001	-1.075	0.197	-0.006	-0.721	-0.672**	-0.039**	-3.240
	(0.57)	*(0.02)*	*(1.12)*	*(0.15)*	*(0.01)*	*(2.75)*	*(0.28)*	*(0.01)*	*(2.24)*
Liquidity $_{t-1}$	-0.039	0.005	-0.010	0.010	0.000	-0.580**	-0.091	-0.005	-0.060
	(0.11)	*(0.01)*	*(0.38)*	*(0.21)*	*(0.01)*	*(0.22)*	*(0.23)*	*(0.01)*	*(0.36)*
Franchising $_{t-1}$	0.542	0.039*	-0.370	0.760**	0.023*	-1.585**	0.320	0.019	-2.471***
	(0.35)	*(0.02)*	*(0.37)*	*(0.33)*	*(0.01)*	*(0.61)*	*(0.56)*	*(0.01)*	*(0.57)*
Avg. executives' tenure	0.030*	0.003*	0.021	0.062**	0.002***	-0.011	0.049*	0.002***	-0.017
	(0.02)	*(0.00)*	*(0.01)*	*(0.03)*	*(0.00)*	*(0.07)*	*(0.03)*	*(0.00)*	*(0.02)*
Ave. executives' age	-0.003	-0.001	-0.016	-0.007	0.000	0.074	-0.005	-0.001	0.015
	(0.01)	*(0.00)*	*(0.02)*	*(0.01)*	*(0.00)*	*(0.18)*	*(0.00)*	*(0.00)*	*(0.06)*
CEO equity $_{t-1}$	0.382	0.024***	-0.666	0.295	0.045***	-1.254	0.421	0.040***	-0.125
	(0.36)	*(0.01)*	*(0.68)*	*(0.36)*	*(0.01)*	*(1.49)*	*(0.40)*	*(0.01)*	*(1.49)*
INT Degree $_{t-1}$	0.944	0.013	-0.199						
	(0.09)	*(0.03)*	*(0.82)*						
INT Berry $_{t-1}$				3.728***	0.072	4.605***			
				(1.08)	*(0.13)*	*(1.04)*			
INT Speed $_{t-1}$							0.079***	0.004***	0.379
							(0.01)	*(0.00)*	*(0.39)*
CEO INTEXP $_{t-1}$	-0.020	0.007	-0.402	3.650**	-0.050	-4.405	0.016	0.004	-0.097
	(0.06)	*(0.01)*	*(0.27)*	*(1.86)*	*(0.08)*	*(6.68)*	*(0.05)*	*(0.00)*	*(0.10)*
INT Degree $_{t-1}$ × CEO INTEXP $_{t-1}$	0.249*	-0.010	0.549						
	(0.14)	*(0.01)*	*(0.36)*						
INT Berry $_{t-1}$ × CEO INTEXP $_{t-1}$				-3.696**	0.053	4.174			
				(1.88)	*(0.09)*	*(6.83)*			
INT Speed $_{t-1}$× CEO INTEXP $_{t-1}$							0.017	0.002	0.021
							(0.01)	*(0.00)*	*(0.05)*
Wald Chi^2	3867.06***	73.26***	29.59*	17.83***	206.59***	7.09*	45.16***	55.19***	28.13*
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	747	745	568	385	383	470	430	427	287
No. Firms	69	69	65	44	45	38	47	47	41
No. of Cluster	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

The results of HLM estimations for testing Hypothesis 7a are presented in Table 5-10. Models 7a-(1), 7a-(2), and 7a-(3) test the moderating effect of executives' operating ability on the relationship between the degree of internationalization and a firm's performance. All three models showed insignificant coefficients of the interaction term ($INTDegree_{t-1} \times TMT\ operating_{t-1}$).

Similarly, Models 7a-(4), 7a-(5), and 7a-(6) test the moderating effect of executives' operating ability on the relationship between the diversification of internationalization and a firm's performance. All three models showed insignificant coefficients of the interaction term ($INTBerry_{t-1} \times TMT\ operating_{t-1}$).

Models 7a-(7), 7a-(8), and 7a-(9) test the moderating effect of executives' operating ability on the relationship between the speed of internationalization and firm performance. In Models 7a-(7) and 7a-(8), the coefficients of the interaction term ($INTSpeed_{t-1} \times TMT\ operating_{t-1}$) are positive but statistically insignificant for financial performance (Q) (β =0.512, p>0.10) and operating performance (ROA) (β =0.037, p>0.10). In Model 6a-(9), the coefficient of the interaction term ($INTSpeed_{t-1} \times TMT\ operating_{t-1}$) is positive and statistically significant for international returns (IR) (β =-83.695, p<0.01).

Summarizing the results, executives' operating ability does not affect the relationship between internationalization and firm performance in general, except for a positive impact when a firm increases the speed of internationalization. Thus, Hypothesis 7a is partially supported. This result becomes more notable when considering CEOs' operating ability, which is described below.

Table 5-11 shows the results of HLM estimations for testing Hypothesis 7b. Models 7b-(1), 7b-(2), and 7b-(3) test the moderating effect of CEOs' operating ability on the relationship between the degree of internationalization and a firm's performance. In Model 7b-(1), the coefficient of the interaction term ($INTDegree_{t-1} \times CEO\ operating_{t-1}$) is positive but statistically insignificant for financial performance (Q) (β =3.170, p>0.10). In Model 7b-(2), the coefficient of the interaction term ($INTDegree_{t-1} \times CEO\ operating_{t-1}$) is positive and marginally significant for operational performance (ROA) (β =0.215, p<0.10). In Model 7b-(3), the coefficient of the interaction term ($INTDegree_{t-1} \times CEO\ operating_{t-1}$) is also positive and statistically significant for international returns (IR) (β =52.462, p<0.01).

Models 7b-(4), 7b-(5), and 7b-(6) test the moderating effect of CEOs' operating ability on the relationship between the diversification of internationalization and a firm's performance. In Model 7b-(4), the coefficient of the interaction term ($INTBerry_{t-1} \times CEO\ operating_{t-1}$) is positive and statistically significant for financial performance (Q) (β =14.654, p<0.001). In Models 7b-(5) and 7b-(6), the coefficients of the interaction term ($INTBerry_{t-1} \times CEO\ operating_{t-1}$) are statistically insignificant for operational performance (ROA and IR).

Models 7b-(7), 7b-(8), and 7b-(9) test the moderating effect of CEOs' operating ability on the relationship between the speed of internationalization and a firm's performance. In Models 7b-(7) and 7b-(8), the coefficients of the interaction term ($INTSpeed_{t-1} \times CEO\ INTEXP_{t-1}$) are statistically not significant for financial performance (Q) (β =0.025, p>0.10) or for operational performance (ROA) (β =0.241, p>0.10). In

Models 7b-(9), the coefficient of the interaction term ($INTSpeed_{t-1} \times CEO\ INTEXP_{t-1}$) is positive and statistically significant for international returns (IR) (β =83.696, p<0.01).

To recap, the moderating effect of CEOs' operating ability is similar to that of executives but more apparent. In general, CEOs with a high operating ability are a boon to generating better performance, especially with regard to growth in international returns. As a firm increases the proportion and speed of international involvement, a firm is likely to have a positive impact on firm performance with a CEO with better operating ability. Also, a firm with a wide geographical scope of international operations will achieve a better market performance when they have a CEO with high operating ability. Thus, Hypothesis 7b is supported. Further discussion regarding these results is presented in the following chapter.

Table 5-10.

Test of Hypothesis 7a (Internationalization and firm performance moderated by TMT operating ability)

	INTDgree*TMT Operating ability			INTBerry* TMT Operating ability			INTSpeed*TMT Operating ability		
	DV: Q_t 7a-(1)	DV: ROA_t 7a-(2)	DV: IR_t 7a-(3)	DV: Q_t 7a-(4)	DV: ROA_t 7a-(5)	DV: IR_t 7a-(6)	DV: Q_t 7a-(7)	DV: ROA_t 7a-(8)	DV: IR_t 7a-(9)
Constant	3.237***	0.072	0.812	-1.999	-0.007	-7.990	3.094***	0.041	6.641
	(0.97)	*(0.06)*	*(1.65)*	*(1.59)*	*(0.11)*	*(14.98)*	*(0.65)*	*(0.03)*	*(4.97)*
ROA(NI) $_{t-1}$	1.098***	0.099**	0.555	0.905**	0.081***	3.483	1.5967**	0.268**	3.062**
	(0.68)	*(0.00)*	*(0.77)*	*(0.38)*	*(0.02)*	*(4.26)*	*(0.59)*	*(0.11)*	*(3.58)*
Size $_{t-1}$	0.328	-0.020**	0.360*	-0.548**	-0.031***	-0.577	-0.715**	-0.025***	-0.444***
	(0.03)	*(0.01)*	*(0.20)*	*(0.22)*	*(0.01)*	*(1.19)*	*(0.23)*	*(0.00)*	*(0.02)*
Leverage $_{t-1}$	-0.392***	0.030***	-0.067	0.738*	0.033***	-0.810***	0.222	0.025***	-0.266
	(0.09)	*(0.01)*	*(0.14)*	*(0.29)*	*(0.00)*	*(0.15)*	*(0.18)*	*(0.00)*	*(0.40)*
Capital intensity $_{t-1}$	0.033	-0.008	-0.909	0.359	-0.011	-0.557	-0.423*	-0.022***	-3.210
	(0.12)	*(0.03)*	*(1.21)*	*(0.35)*	*(0.02)*	*(2.88)*	*(0.22)*	*(0.01)*	*(2.48)*
Liquidity $_{t-1}$	0.425***	0.009*	-0.031	0.105	0.010*	-0.635***	-0.032	0.002	-0.068
	(0.11)	*(0.01)*	*(0.42)*	*(0.20)*	*(0.02)*	*(0.14)*	*(0.24)*	*(0.01)*	*(0.32)*
Franchising $_{t-1}$	0.029*	0.040**	-0.631	0.562**	0.000	-1.974**	0.565	0.029**	-2.894***
	(0.02)	*(0.02)*	*(0.44)*	*(0.20)*	*(0.02)*	*(0.69)*	*(0.50)*	*(0.01)*	*(0.69)*
Avg. executives' tenure	-0.002	0.002**	0.010	0.055	0.002***	0.001	0.051**	0.0017*	-0.024
	(0.00)	*(0.00)*	*(0.10)*	*(0.03)*	*(0.00)*	*(0.05)*	*(0.03)*	*(0.00)*	*(0.16)*
Ave. executives' age	-0.002	-0.001	-0.018	0.011	0.001**	0.052	0.002	0.000	-0.053
	(0.00)	*(0.00)*	*(0.02)*	*(0.01)*	*(0.00)*	*(0.16)*	*(0.01)*	*(0.00)*	*(0.05)*
CEO equity $_{t-1}$	0.555	0.019**	-0.707	0.161	0.038***	0.015	0.314	0.026**	-0.432
	(0.28)	*(0.01)*	*(0.76)*	*(0.33)*	*(0.01)*	*(3.32)*	*(0.37)*	*(0.01)*	*(1.40)*
INT Degree $_{t-1}$	1.169**	0.004	0.092						
	(0.52)	*(0.02)*	*(0.80)*						
INT Berry $_{t-1}$				3.350***	0.106	8.835			
				(0.65)	*(0.08)*	*(8.48)*			
INT Speed $_{t-1}$							0.074**	0.001	0.690***
							(0.04)	*(0.00)*	*(0.14)*
TMT operating ability $_{t-1}$	3.694***	0.619***	1.570	14.086	1.609	166.080	3.741**	0.401**	-29.513*
	(0.82)	*(0.05)*	*(1.01)*	*(24.22)*	*(2.48)*	*(263.34)*	*(1.44)*	*(0.14)*	*(14.71)*
INT Degree $_{t-1}$ × TMT operating $_{t-1}$	4.094	-0.397	-1.290						
	(7.86)	*(0.36)*	*(3.34)*						
INT Berry $_{t-1}$× TMT operating $_{t-1}$				-9.420	-1.098	-179.690			
				(25.04)	*(2.45)*	*(280.60)*			
INT Speed $_{t-1}$× TMT operating $_{t-1}$							0.512	0.037	83.695**
							(0.46)	*(0.03)*	*(26.54)*
Wald Chi^2	129.70***	200.42***	25.31*	34.73***	44.46***	7.89**	24.73***	107.83***	21.51***
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	747	743	565	390	388	249	436	431	290
No. Firms	68	67	64	44	45	38	47	47	41
No. of Cluster	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

Table 5-11.

Test of Hypothesis 7b (Internationalization and firm performance moderated by CEO operating ability)

	INTDegree*CEO Operating ability			INTBerry*CEO Operating ability			INTSpeed*CEO Operating ability		
	DV: Q_t 7b-(1)	DV: ROA_t 7b-(2)	DV: IR_t 7b-(3)	DV: Q_t 7b-(4)	DV: ROA_t 7b-(5)	DV: IR_t 7b-(6)	DV: Q_t 7b-(7)	DV: ROA_t 7b-(8)	DV: IR_t 7b-(9)
Constant	3.082*	0.097	0.458	-0.608	0.151**	-8.636	3.328***	0.121†	6.648
	(1.46)	*(0.07)*	*(1.94)*	*(1.66)*	*(0.05)*	*(15.21)*	*(0.32)*	*(0.06)*	*(4.97)*
ROA(NI) $_{t-1}$	1.350*	0.185**	0.972	1.059**	0.357***	2.839	3.269***	0.318***	3.062
	(0.53)	*(0.07)*	*(0.94)*	*(0.52)*	*(0.10)*	*(5.44)*	*(1.02)*	*(0.08)*	*(3.58)*
Size $_{t-1}$	-0.638+	-0.019	0.308	-0.503**	-0.047***	-0.776	-0.668***	-0.036***	-0.444***
	(0.36)	*(0.01)*	*(0.19)*	*(0.23)*	*(0.01)*	*(1.15)*	*(0.15)*	*(0.01)*	*(0.02)*
Leverage $_{t-1}$	-0.069	0.018+	-0.088	0.269	0.033***	-0.902***	0.057	0.013*	-0.266
	(0.21)	*(0.01)*	*(0.18)*	*(0.32)*	*(0.01)*	*(0.18)*	*(0.24)*	*(0.05)*	*(0.41)*
Capital intensity $_{t-1}$	-0.257	-0.002	-0.828	0.149	-0.014	-0.868	-0.839**	-0.046***	-3.210
	(0.28)	*(0.02)*	*(1.25)*	*(0.29)*	*(0.01)*	*(2.66)*	*(0.27)*	*(0.01)*	*(2.48)*
Liquidity $_{t-1}$	0.019	0.007	-0.092	0.010	-0.006	-0.523**	-0.137	-0.006	-0.068
	(0.15)	*(0.01)*	*(0.41)*	*(0.23)*	*(0.01)*	*(0.20)*	*(0.23)*	*(0.01)*	*(0.32)*
Franchising $_{t-1}$	0.466***	0.024	-0.673†	0.456**	0.048	-2.021***	0.004	0.018	-2.894***
	(0.13)	*(0.02)*	*(0.40)*	*(0.22)*	*(0.04)*	*(0.61)*	*(0.60)*	*(0.01)*	*(0.69)*
Avg. executives' tenure	0.029+	0.002**	0.009	0.057**	0.003***	-0.002	0.042†	0.002***	-0.024
	(0.02)	*(0.00)*	*(0.01)*	*(0.03)*	*(0.00)*	*(0.05)*	*(0.02)*	*(0.00)*	*(0.02)*
Ave. executives' age	-0.002	0.000	-0.005	0.004	0.000	0.051	0.002	0.000	0.053
	(0.00)	*(0.00)*	*(0.02)*	*(0.01)*	*(0.00)*	*(0.16)*	*(0.01)*	*(0.00)*	*(0.05)*
CEO equity $_{t-1}$	0.556	0.025**	-0.551	0.335	0.020	-0.025	0.401	0.034**	-0.432
	(0.36)	*(0.01)*	*(0.59)*	*(0.32)*	*(0.03)*	*(2.66)*	*(0.35)*	*(0.01)*	*(1.40)*
INT Degree $_{t-1}$	1.295*	-0.001	0.257						
	(0.54)	*(0.01)*	*(0.78)*						
INT Berry $_{t-1}$				2.765**	0.137	10.474			
				(1.12)	*(0.16)*	*(8.65)*			
INT Speed $_{t-1}$							0.081***	0.004*	0.690***
							(0.01)	*(0.00)*	*(0.14)*
CEO operating ability $_{t-1}$	0.245	0.090**	-9.221	-13.248**	-0.073	97.298	1.059	-0.357*	-29.513*
	(0.62)	*(0.03)*	*(5.80)*	*(3.91)*	*(0.37)*	*(117.24)*	*(0.96)*	*(0.14)*	*(14.71)*
INT Degree $_{t-1}$ × CEO operating $_{t-1}$	3.170	0.215†	52.462**						
	(6.61)	*(0.12)*	*(18.54)*						
INT Berry $_{t-1}$ × CEO operating $_{t-1}$				14.654***	0.644	-107.380			
				(4.18)	*(4.30)*	*(126.29)*			
INT Speed $_{t-1}$ × CEO operating $_{t-1}$							0.025	0.241	83.696**
							(0.08)	*(0.41)*	*(26.54)*
Wald Chi^2	354.37***	21.79***	19.93***	15.68***	233.16***	23.37*	21.37***	280.16	171.82***
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	739	744	568	386	383	247	432	427	288
No. Firms	68	69	65	44	45	38	47	47	41
No. of Cluster	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

Table 5-12 shows the results of HLM estimations for testing Hypothesis 8. Models 8-(1), 8-(2), and 8-(3) test the moderating effect of CEOs' external ties on the relationship between the degree of internationalization and a firm's performance. All three models showed insignificant coefficients of the interaction term ($INTDegree_{t-1} \times CEOs'\ ties_{t-1}$).

Similarly, Models 8-(4), 8-(5), and 8-(6) test the moderating effect of CEOs' external ties on the relationship between the diversification of internationalization and a firm's performance. All three models showed insignificant coefficients of the interaction term ($INTBerry_{t-1} \times CEOs'\ ties_{t-1}$).

Similarly, Models 8-(7), 8-(8), and 8-(9) test the moderating effect of CEOs' external ties on the relationship between the diversification of internationalization and a firm's performance. All three models showed insignificant coefficients of the interaction term ($INTSpeed_{t-1} \times CEOs'\ ties_{t-1}$).

Summarizing the results, CEOs' external ties do not influence the relationship between internationalization and firm performance in general. Thus, Hypothesis 8 is not supported.

Table 5-12.

Test of Hypothesis 8 (Internationalization and firm performance moderated by CEOs' external ties)

	INTDegree*CEO External ties			INTBerry*CEO External ties			INTSpeed* CEO External ties		
	DV: Q_t 8-(1)	DV: ROA_t 8-(2)	DV: IR_t 8-(3)	DV: Q_t 8-(4)	DV: ROA_t 8-(5)	DV: IR_t 8-(6)	DV: Q_t 8-(7)	DV: ROA_t 8-(8)	DV: IR_t 8-(9)
Constant	3.314**	0.113	0.817	-6.886*	0.017	-2.764	3.431***	0.121*	6.445
	(1.05)	*(0.09)*	*(1.75)*	*(2.78)*	*(0.19)*	*(6.12)*	*(0.24)*	*(0.06)*	*(4.32)*
ROA(NI) $_{t-1}$	1.874***	0.161**	0.957	1.715***	0.305***	0.966	3.391***	0.301***	2.429
	(0.34)	*(0.06)*	*(0.99)*	*(0.40)*	*(0.04)*	*(6.86)*	*(0.99)*	*(0.08)*	*(3.78)*
Size $_{t-1}$	-0.664*	-0.029*	0.355*	-0.787**	-0.033**	-0.548	-0.641***	-0.036***	0.105
	(0.38)	*(0.01)*	*(0.19)*	*(0.25)*	*(0.01)*	*(1.39)*	*(0.19)*	*(0.01)*	*(0.31)*
Leverage $_{t-1}$	-0.116	0.005	-0.088	0.077	0.010***	-0.588***	0.069	0.010*	-0.343
	(0.21)	*(0.01)*	*(0.16)*	*(0.33)*	*(0.00)*	*(0.13)*	*(0.17)*	*(0.00)*	*(0.38)*
Capital intensity $_{t-1}$	-0.382**	-0.004	-0.882	0.282	-0.012	-0.375	-0.704**	-0.044***	-2.860
	(0.16)	*(0.02)*	*(1.19)*	*(0.19)*	*(0.01)*	*(2.47)*	*(0.26)*	*(0.01)*	*(2.06)*
Liquidity $_{t-1}$	0.001	0.005	-0.063	-0.010	-0.001	-0.597***	-0.091	-0.006	-0.074
	(0.14)	*(0.01)*	*(0.43)*	*(0.17)*	*(0.01)*	*(0.15)*	*(0.23)*	*(0.01)*	*(0.41)*
Franchising $_{t-1}$	0.539***	0.041*	-0.636	0.511*	0.024	-1.682***	0.332	0.020	-2.339***
	(0.10)	*(0.02)*	*(0.42)*	*(0.22)*	*(0.02)*	*(0.46)*	*(0.45)*	*(0.01)*	*(0.41)*
Avg. executives' tenure	0.031*	0.003*	0.011	0.070***	0.002***	-0.011	0.047*	0.002***	-0.020
	(0.02)	*(0.00)*	*(0.01)*	*(0.02)*	*(0.00)*	*(0.04)*	*(0.03)*	*(0.00)*	*(0.01)*
Ave. executives' age	-0.007**	-0.001	-0.019	-0.002	0.000	0.056	-0.002	0.000	0.011
	(0.00)	*(0.00)*	*(0.02)*	*(0.00)*	*(0.00)*	*(0.16)*	*(0.01)*	*(0.00)*	*(0.06)*
CEO equity $_{t-1}$	0.635**	0.020**	-0.558	0.148	0.046***	-0.783	0.414	0.037*	-0.152
	(0.31)	*(0.01)*	*(0.65)*	*(0.24)*	*(0.01)*	*(2.13)*	*(0.40)*	*(0.02)*	*(1.60)*
INT Degree $_{t-1}$	0.852**	-0.001	0.258						
	(0.39)	*(0.03)*	*(0.93)*						
INT Berry $_{t-1}$				9.227***	0.057	3.343			
				(2.76)	*(0.13)*	*(2.04)*			
INT Speed $_{t-1}$							0.019***	0.003*	0.261
							(0.01)	*(0.00)*	*(0.33)*
CEO external ties $_{t-1}$	0.021	0.003***	-0.013	5.763	-0.902	9.888	0.029	0.011	-0.024
	(0.02)	*(0.00)*	*(0.05)*	*(16.57)*	*(0.63)*	*(40.41)*	*(0.03)*	*(0.01)*	*(0.25)*
INT Degree $_{t-1}$ × CEOties	0.383	0.014	-0.247						
	(0.36)	*(0.02)*	*(0.30)*						
INT Berry $_{t-1}$ × CEOties $_{t-1}$				-5.752	0.919	9.888			
				(16.64)	*(0.63)*	*(40.41)*			
INT Speed $_{t-1}$ × CEOties $_{t-1}$							0.013	-0.001	0.406
							(0.10)	*(0.00)*	*(0.53)*
Wald Chi^2	9.80**	82.06***	24.60***	13.13**	216.62***	13.41***	44.95***	87.32***	26.08*
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	755	753	574	389	387	249	434	431	290
No. Firms	69	69	65	44	45	38	47	47	41
No. of Cluster	4	4	4	4	4	4	4	4	4

†, *, **, and *** represent 10%, 5%, 1% and less than 0.1% significance level, respectively.
( ) contains robust standard errors.

CHAPTER 5

DISCUSSION AND CONCLUSION

This dissertation endeavors to find the motivations for internationalization and the strategy's financial outcomes in the hospitality industry. Specifically, for a comprehensive investigation of the topic, the moderating effects of environmental dimensions (Study 1) and executives' experiences and profiles (Study 2) were incorporated. This dissertation also uses multiple measures of internationalization (i.e., degree, diversification, and speed) and firm performance (i.e., Tobin's q, ROA, and international returns).

Consequently, this research finds inconsistent results among different measures of internationalization and firm performance. This chapter summarizes the key findings of the research. First, this chapter discusses the results of Study 1 and Study 2. Then, this chapter describes the theoretical contributions and practical implications of the research. Finally, limitations and recommendations for future study are presented.

5.1 Discussion of Results

5.1.1 Motivation for internationalization

Study 1 finds different main effects of competitors' degree, diversification, and speed of internationalization on those of a focal firm. That is, while the degree of internationalization does not matter for a focal firm's internationalization, the speed of its competitors' internationalization positively affects that of a focal firm, which supports Hypothesis 1. This result implies that a firm endeavors to catch up with its competitors'

strategies (D'Aveni, 1994) in a timely manner. The positive effect of competitors' internationalization speed on that of a focal firm's is consistent with the findings of previous studies (e.g., Oviatt & McDougall, 2005), showing that the motivating force from competitors strongly encourages firms to expand quickly into the international market because they fear their competitors could reap all of the advantages of going international. In other words, as a firm observes its counterparts moving into international markets faster and faster, the firm may be under pressure to follow and keep up with the strategic movements of its competitors. In contrast, firms are demotivated to expand their operations into a wider scope of countries when they observe their competitors increasing the scope of countries in which they operate. This is the opposite direction of what I hypothesized. Yet, the negative effect of competitors' international diversification on a focal firm's international diversification also supports the arguments of previous studies (e.g., Hitt et al., 1997). When a firm perceives its competitors as expanding into many different countries, it may believe that there will be high barriers of entry from competitors and that it will be difficult to imitate competitors' international portfolios due to possible costs and risks across different countries (Hitt et al., 1997). In addition, international diversification leads to a greater amount of work and increased transaction costs that may exceed the managerial capabilities (Franko, 2004; Tallman & Li, 1996). Thus, a firm would rather pursue entrepreneurial discoveries with a different portfolio in which disequilibrium creates superior benefits (Jacobson, 1992).

From the moderating effect of environmental dimensions, the study finds interesting results, including some opposite directions to the hypotheses. In more detail, under a dynamic environment, the responsiveness to competitors becomes magnified. If a

firm faces an unstable and fast-changing environment, they are more likely to follow competitors' internationalization strategies for both international scope and speed. This finding supports the argument of Hypothesis 2a based on the neoinstitutional theory (DiMaggio & Powell, 1983). When coping with an uncertain environment, it is hard to sustain a competitive advantage (D'Aveni, 1994; Eisenhardt & Martin, 2000) and learn from past actions (Bogner & Barr, 2000). Therefore, firms are more likely to model themselves on others because it mostly increases the firm's chances of survival.

Second, the study finds, in general, a negative moderating effect of environmental complexity. When the environment is complex, meaning that the market share is evenly distributed in the industry, a firm does not increase the degree and diversification of internationalization following increases in competitors' international units and scope of countries. This finding supports Hypothesis 2b, arguing that firms in the evenly distributed market structure tend to take more autonomous actions against others (Shepherd, 1972; Yin & Shanley, 2008). With heightened competition in a complex environment, firms may seek differentiated strategies from others in order to obtain competitive advantages rather than following the strategic patterns of others. Thus, firms may consider that imitating others in ways such as increasing the number or scope of international properties would not benefit them much under the complex environment.

Third, the results of the moderating effect of environmental munificence are somewhat surprising and inconsistent between measures of internationalization. When the environment supports the growth of an organization with abundant resources, the results indicate that hospitality firms are not likely to follow competitors' internationalization strategies. Specifically, a munificent environment does not affect a

firm's mimicking behavior in regard to the degree and speed of internationalization. However, for the diversification of internationalization, the study finds a negative moderating effect of environmental munificence. That is, when the environment is munificent, firms narrow the scope of countries in which they operate as their competitors increase the scope. Considering the characteristics of the hospitality industry, this is unexpected. As discussed in the previous chapters, hospitality firms have been known for low profit margins and high business risks (Guillet & Mattila, 2010). It is natural to think that when the environment is favorable and supports firms' growth with sufficient resources, hospitality firms are better able to expand their scope of internationalization following their competitors. However, it may be thought of in a different way to explain the negative moderating effect of a munificent environment. For example, Kolev (2016) argued that a munificent environment reduces managers' alertness to new opportunities and makes them exert efforts to improve relatively weak or existing divisions. Applying this explanation to the result of this dissertation, although hospitality managers perceive their competitors as entering into many different nations, a munificent environment may make managers insensitive to new opportunities in different countries and leave them with a sense of complacency to focus more on existing markets in which the firm already operates.

5.1.2 The effect of internationalization on firm performance

In general, this dissertation found a positive main effect of internationalization on firm performance (Q, ROA, and international returns), which is the opposite of Hypothesis 3. Specifically, Study 2 finds that while the effect of internationalization

appears to be positive for market-based financial performance (Q), the effects on operational performance (ROA and international returns) vary according to the measures of internationalization.

The significant and positive impact of internationalization (degree, diversification, and speed) on firms' market-based performance implies that internationally visible hospitality firms are evaluated highly by the market. In other words, as firms increase the number of international units, enter into many different countries, and speed up the internationalization process, the market perceives those firms as having valuable knowledge and capabilities (Barkema & Vermeulen, 1998; Kogut & Zander, 1992). However, operational performance appears to be improved either when firms diversify their operations across different nations or when firms speed up the process of internationalization. Specifically, a firm's return on assets (ROA) is likely to be enhanced when it quickens the pace of internationalization, and the growth rate of international returns is improved when a firm has diversified international operations across different countries.

The positive effect of international diversification on the growth of international returns seems to offer support for the behavioral perspectives held by previous researchers (Barney, 1991; Kogut & Zander, 1992). That is, firms with diverse international operations can achieve a competitive advantage through knowledge transfer and interdependence among subsidiaries in different geographic regions. However, what is surprising is that firms also can improve their returns on assets even when moving fast into international markets. According to the previous researchers, firms are likely to have diminishing returns when the pace of strategic process increases due to time-compression

diseconomies (Dierickx & Cool, 1989) and absorptive capacity (Cohen & Levinthal, 1990). Yet, the positive effect of the speed of internationalization on firms' returns on assets may reflect the trend of globalization in the hospitality industry. For example, as customers have been exposed to a variety of cultures, there has been a movement toward the development of a universal taste in the hospitality business. In response to this trend, hospitality firms have attempted to develop global strategies, such as expanding with common products, sales, and marketing programs in order to capture global economies of scale, and building an organizational structure which allows for control of local operations (Cline, 2002; Yu et al., 2014). Also, hospitality firms' efforts in branding their products and services have been continuously exerted to differentiate them from others and efficiently manage their operations (Kwun, 2012). Thus, such branding efforts of hospitality firms may hit the trend toward meeting consumers' universal needs and generate positive synergy with firm performance.

The study also incorporates executives' experiences and characteristics as moderators on the association between internationalization and firm performance. First, the study reveals that the diversity of nationalities among TMT members strengthens the positive relationship between international diversification (speed) and the growth of international returns (return on assets). These results support the argument of Hypothesis 4, in which the socio-cognitive benefits of heterogeneity of nationality outweigh its costs. For firms operating in various international regions and increasing their speed of internationalization, they are required for a great deal of information processing and managerial capacity. The socio-cognitive benefits from a diversity of nationalities among top executives, such as various perspectives and vast stores information, would be

beneficial for firms to better manage international operations, especially when they enter into many different countries and increase the pace of internationalization. This is also consistent with Nelson's (2010b) study that found a positive effect of a multinational TMT on a firm's stock market returns.

The heterogeneity of nationalities among top executives appears advantageous for a firm's market-based performance (Q) when the firm has a high proportion of international units, but destructive when it increases the pace of internationalization. This implies that the market appreciates diversity in executives' nationalities when they manage international operations but not when a firm quickens the pace of internationalization. This may be because the market doubts firms' absorptive capacity to deal with increased managerial complexity when they speed up internationalization. That is, the market understands that firms may be less able to absorb all information from a fast expansion and new international experiences.

Second, for the moderating effect of executives' functional background, the study argued that executives with an output background (e.g., marketing, sales, and product R&D) would be more helpful in generating better performance from international operations. According to the findings of the study, this argument is significant only for operational performance when a firm operates in diverse international locations. This supports Hambrick and Mason's (1984) proposition that the output functional experiences of executives are valued more in situations that demand flexible and differentiated strategies. In other words, a firm investing in diverse nations may need to develop a variety of international strategies to meet diverse local needs. In such conditions, executives with an output functional background who seek new opportunities, innovation,

and market expansion, would be a better fit. However, when a firm speeds up its internationalization, it seems that output functional executives are not helpful for improving operational performance. This may make sense in that a firm needs to develop greater efficiencies to absorb the fast growth in the number of international units. Since throughput functional backgrounds focus more on cost control and efficiency (Barker & Mueller, 2002; Chen & Hambrick, 2012; Hambrick & Mason, 1984), they are more likely to manage managerial complexity from speeding up the process of internationalization.

In addition, the findings of the study indicate that the market-based performance (Q) falls for a firm with output functional executives as they diversify their international operations into many different countries and speed up internationalization. This result implies that the market may well understand the characteristics of hospitality firms, such as low profit margins and high business risk (Guillet & Mattila, 2010). Thus, the market would consider that operations across a wider scope of nations and a fast speed of internationalization would burden a hospitality firm, and as a result, cost-efficiency and controls may be needed for better international management rather than strategic innovations.

Third, for the moderating effect of executives' international experience, the study hypothesized that it would positively moderate the relationship between internationalization and firm performance. The results of analyses support this hypothesis only for the market-based performance (Q), especially when a firm has a high proportion of international properties and fast speed of internationalization. This finding is also consistent with the previous studies that argued for the benefits of acquiring executives with prior international assignments (Adler & Bartholomew, 1992; Black et al., 1992),

including facilitating the flow of information between headquarters and subsidiaries, cultural interaction, and responsiveness to local demand. However, the study finds an opposite result as well. Although a firm may have executives with strong international experiences, the market does not value this when a firm operates in diverse countries. This is somewhat surprising, but it may be due to the ways executives' international experiences were measured. Executives' international experiences were operationalized as the average number of years that executives spent abroad for work and higher education. To analyze the effect of international experience, it would have been better if a firm's internationalization portfolio matches the countries where its executives have worked or studied. Since business and consumer cultures vary across countries, simply measuring the years of international career experience may not represent the construct as the study proposes.

Fourth, as expected, the moderating effect of executives' operating ability was found to be positive for the relationship between internationalization and firm performance. What is interesting is that the operating ability of CEOs appears to matter more than that of the top management team as a whole. While the operating ability of the TMT positively moderates the relationship only when a firm speeds up its internationalization, the operating ability of CEOs seems more beneficial for improving a firm's operational performance not only when the firm has a high proportion of international units but also when it increases the speed of internationalization. Also, a CEO's high operating ability is valued by the market when a firm has a wide scope of international operations across countries, which is consistent with Hayes and Scharefer's (1999) study which revealed that the market negatively evaluates firms with less-talented

executives. Therefore, the findings of the study generally support the argument that executives with high operating ability are better at dealing with the complexities involved in the international setting. This also makes sense when considering the characteristics of hospitality firms discussed previously (low profit margins, highly volatile to economic conditions, and high business risk). Within such a tight budget, executives with better operating ability would be able to more efficiently manage international operations.

Finally, none of the results for the moderating effect of CEOs' external ties showed a statistically significant relationship with internationalization and firm performance as proposed by the study. The study argues for the positive moderating effect of external ties of executives because those ties provide them with extensive exposure to a range of alternatives and perspectives (Geletkanycz & Hambrick, 1997; Peng & Luo, 2000). In that sense, the insignificant effect of external ties is somewhat unexpected, but it may be due to different industry characteristics and trends, encountered when expanding into international markets. As discussed in the previous chapter, hospitality firms have a distinctive nature, such as a need for local presence and local differentiation, and therefore, the process and strategy for internationalization may be different from that of other industries. Thus, while executives may observe or broaden their knowledge base by learning from external firms by holding director or executive positions, this knowledge and experience may not be applicable to the internationalization of hospitality firms.

5.2 Theoretical Contributions and Practical Implications

This dissertation attempts to address scarcely examined subjects in the hospitality management literature, the motivation for internationalization and its outcome from the perspectives of the neoinstitutional theory and upper echelons theory. To my current knowledge, only a few studies have examined internationalization through the lenses of competitors' strategies and the characteristics of top executives. Therefore, this dissertation fills a research gap in the hospitality management literature by examining the strategy of internationalization. Specifically, this research contributes to the hospitality literature by investigating the moderating effects of environmental dimensions and characteristics of top executives on the motivation for internationalization and its financial outcomes. From the two studies in this dissertation, it can be summarized that a firm's external factors, such as competitors' actions and environmental conditions, matter for a firm's internationalization strategy. In addition, the outcome of internationalization depends on the types of strategies employed and executives' characteristics and experiences.

The conclusions of this dissertation provide several theoretical implications to the literature. First, this dissertation combines different theoretical streams of research and offers a relatively comprehensive investigation regarding the internationalization strategy. Specifically, considering the scarcity of research on internationalization that incorporates the market-oriented view and the resource-oriented view together, the study finds that competitors' international actions motivate or demotivate a focal firm's internationalization and this relationship varies depending on environmental conditions. This supports perspectives from the neoinstitutional theory and IO economics that a firm's external environment shapes its specific strategies. Also, firm performance from

internationalization in the hospitality industry is generally either positive or insignificant, but this relationship depends on the characteristics and experiences of executives. This finding supports the propositions of the upper echelons theory (Hambrick & Mason, 1984) that top executives hold powerful sway over an organization.

Second, this dissertation contributes to the whole body of internationalization literature by providing different effects for each measure of internationalization. Most internationalization studies focuses on a single measure of internationalization. However, as this dissertation indicates, different internationalization strategies (degree, diversification, and speed) stem from different motivations depending on the external environment and the effects on financial performance vary depending on a firm's resources (i.e., top executives). These measure-specific empirical findings enrich the internationalization literature as a whole. In particular, a comprehensive investigation of internationalization may enhance the understanding of a long-debated association between internationalization and performance by showing different results of internationalization according to measurement as well as the critical role of top executives.

Third, this dissertation also finds different results contingent on different measurements of firm performance (Q, ROA, and growth rate of international returns). These results imply that the market perception of hospitality firms is sometimes different from that of managers. For example, from the main effect of internationalization on firm performance, the market highly values firms with an increased number of international properties, whereas the high number of international units does not significantly affect a firm's operational performance. In other words, although investors in the market regard

the high degree of internationalization as a significant aspect for improving a firm's long-term value, managers may not be able to yield a successful performance with an extremely large number of international units. The varying results of internationalization on firm performance in the hospitality industry are unlike the findings from the previous literature that examined other industries (e.g., Collins, 1990; Grant, 1988).

Moreover, this research provides practical implications for top executives of and investors in hospitality firms. First, the findings of the study help managers in the analysis of their task environment. Hospitality managers need a more elaborate decision-making framework when they attempt to internationalize their business. In other words, managers need to make strategic decisions, acknowledging that their decisions can be affected by various external factors, such as competitors and environmental conditions. Detailed knowledge about the environmental dimensions that affect a firm's responsiveness to its competitors enables adequate preparation to be undertaken for the internationalization process. Hospitality firms are advised to consider pursuing focused internationalization rather than diversifying their international portfolios amid a dynamic environment. Although the findings of the study indicate that firms follow their competitors' international diversification strategies as the environment becomes dynamic, it may not be a good idea for a focal firm to imitate its competitors, as there are high costs and risks involved in the international market which are likely to become a heavy burden for hospitality firms. Since different international regions exhibit different characteristics and cultures, firms may be required to organize different approaches and capabilities to be successful. Thus, hospitality firms may need to take sufficient time to analyze

competitors in order to create an advantage from following or not following their counterparts.

From the positive main effect of internationalization on firm performance (especially market-based financial performance), internationalization seems to be a competitive strategy for hospitality firms. That is, although hospitality firms are generally known for their high business risk and limited financial slack, the benefits of internationalization outweigh the costs. However, top managers in the hospitality industry need to understand that the positive effect of internationalization on performance can be achieved when executives' experiences and characteristics are suited to operating the international business. In particular, the results of the study indicate that the role of CEOs in an organization seems to have significant influence on a firm's international performance. Thus, to better manage international operations, shareholders or boards of directors may need to consider CEOs or executives with qualifications appropriately suited to the pattern of internationalization. For example, to give a positive signal to the market when a firm has a high proportion of international subsidiaries (degree), shareholders can consider building a TMT of diverse of nationalities and installing a CEO with rich international experience.

5.4 Limitations and Recommendations for Future Study

There are several limitations and recommendations for future studies. First, the generalizability of the findings of the studies is limited due to the sample composition and sample periods. Specifically, the results of the studies may be influenced by survival bias because the sample includes only surviving and existing firms and does not contain

firms that failed to survive the sampled period. In addition, the sample for this research consists of publicly traded restaurants, hotels, and casinos in the U.S. stock market, where large firms are likely to be listed. Thus, using these large and surviving firms may elucidate only part of the relationship of interest. Also, the findings from this dissertation may not be applied to hospitality firms in other countries or to private companies. Therefore, future research is encouraged to collect data from private firms and other countries and extend the sample period in order to improve the external validity of the results. In particular, investigating the different characteristics of TMTs across countries may be necessary. For example, Crossland and Hambrick (2007, 2011) documented how the effect of executives differs in various nations. Similarly, under different political rules, economic conditions, and cultural norms, the effect of TMTs on process, strategic behaviors, and performance is likely to vary. Thus, cross-national convergence or divergence in TMTs' effects (possibly over time) would be an interesting area for future study.

Second, limited data for diversification of internationalization, international returns, and executives' characteristics considerably reduced the sample size. For example, limited data on international returns and diversification of internationalization led the sample size to drop from 3976 to 247 when investigating the effect of diversification of internationalization on a firm's international returns. Such a reduction in the sample size reduces the strength of the statistical inference and thus calls for meticulous interpretation of the results. For future research, employing more data about international returns and diversification would provide more robust and precise findings to examine the relationships proposed in this dissertation.

Third, the measures for the characteristics and experiences of executives contain limitations. This dissertation collected publicly available secondary data, such as Execucomp, BoardEx and Marquis Who's Who, in order to measure executives' variables. Specifically, an executive's international experiences and external ties were measured as the sum of his or her educational, workplace, and professional connections. This is based on the notion that the amount of experience or connections presents the construct well. However, this is certainly not the only way to operationalize executives' experiences and networks, and other literature has explored various alternatives (Engelberg et al., 2012; Hochberg et al., 2007). For example, Engelberg et al. (2012) suggested a number of other ways to measure executives' networks using a BoardEx database, such as Rolodex. Li and Hambrick (2005) and Graffin et al. (2013) used a survey method and employed a psychological construct to represent top managers' attitudes, values, and decisions. Thus, to advance the construct validity, future research may need to incorporate more fine-tuned measures of top executives' experiences and connections.

In addition, the analyzed performance measures here, such as Tobin's q and ROA, are not likely to represent a firm's international performance particularly well. I attempted to measure a firm's international performance through revenues from international operations. However, there were only a few observations that reduced the sample significantly. Thus, it is highly recommend that future studies find alternative measures to represent a firm's international performance.

Fourth, similar to other TMT research, the black box exists in the unobserved "process," which links the characteristics of top management to the organizational

outcomes. This black box contains the essence of inquiry for TMT researchers, such as emergence, developments, conduct, and performance at the team-level itself. There is little knowledge about why and how top management teams look the way they do, how these teams process their tasks, how CEOs interact with their subordinate executives, and how the dynamics of top management teams change over time. In this research, I argued that the experiences and characteristics of executives would affect the outcomes of firms' internationalization strategies based on the theoretical perspectives. For future studies, it is highly encouraged to capture this "process" within the top management team when examining the relationship of interest.

Fifth, this dissertation examines the motivation for internationalization and its outcomes separately without testing a mediation effect. To the best of my knowledge, it is difficult to statistically test the moderated mediation effects with panel data, the unobserved effects from panel dimensions (year, industry, firm, and executives) which should be counted. Since ignoring the unobserved effects creates inconsistent and biased estimation, this dissertation separated the model into two studies and used a regression-based model. Future studies, if there are any, are encouraged to use advanced methodological techniques to test the moderated mediation effects hypothesized in this research.

Finally, by extending the line of the research, this dissertation provides future research opportunities. For instance, the internationalization process within an organization, such as how the internationalization decision is made and how firms reach the peak of international performance, remains unknown to researchers. Thus, a descriptive study on internationalization in the hospitality industry may be an opportunity

for future study. Also, future studies may explore how the characteristics of top executives affect the internationalization strategy and the role of corporate governance (e.g., board vigilance and executives' pay structure) in the relationship between internationalization and firm performance. By investigating the comprehensive scope of research, hospitality researchers and practitioners would come to a better understanding of the upper echelons theory.

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APPENDIX

A-1.

VIF values for testing Hypothesis 3

	H3: INTDeree - PF			H3: INTBerry- PF			H3: INTSpeed- PF		
	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t
ROA(NI) $_{t-1}$	1.16	1.19	1.19	1.32	1.40	1.55	1.33	1.34	1.32
Size $_{t-1}$	1.57	1.58	1.51	1.50	1.54	1.48	1.31	1.31	1.24
Leverage $_{t-1}$	1.34	1.36	1.35	1.32	1.34	1.40	1.31	1.33	1.36
Capital intensity $_{t-1}$	2.63	2.73	2.88	3.39	3.47	4.44	3.34	3.37	3.75
Liquidity $_{t-1}$	1.39	1.43	1.40	1.75	1.77	1.83	1.42	1.41	1.44
Franchising$_{t-1}$	2.09	2.13	2.38	2.47	2.51	3.09	2.56	2.57	2.97
Avg executives' tenure	1.31	1.33	1.41	1.48	1.49	1.77	1.43	1.43	1.69
Avg executives' age	1.40	1.39	1.45	1.65	1.63	1.90	1.69	1.69	1.80
CEO equity compensation	1.22	1.22	1.28	1.48	1.51	1.80	1.31	1.31	1.48
INT Degree $_{t-1}$	1.52	1.54	1.62						
INT Berry $_{t-1}$				1.59	1.60	1.78			
INT Speed $_{t-1}$							1.10	1.11	1.19

A-2.

VIF values for testing Hypothesis 4

	H4: INTDegree * Nationality			H4: INTBerry * Nationality			H4: INTspeed * Nationality		
	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t
ROA(NI) $_{t-1}$	1.17	1.20	1.19	1.33	1.41	1.57	1.34	1.34	1.35
Size $_{t-1}$	1.63	1.63	1.60	1.61	1.66	1.65	1.47	1.46	1.41
Leverage $_{t-1}$	1.39	1.41	1.42	1.32	1.35	1.40	1.30	1.33	1.34
Capital intensity $_{t-1}$	2.69	2.79	2.97	3.57	3.65	4.64	3.42	3.44	3.81
Liquidity $_{t-1}$	1.50	1.53	1.54	1.84	1.87	2.00	1.51	1.51	1.59
Franchising$_{t-1}$	2.13	2.18	2.43	2.52	2.56	3.15	2.66	2.67	3.01
Avg executives' tenure	1.33	1.34	1.46	1.50	1.51	1.84	1.48	1.49	1.80
Avg executives' age	1.39	1.38	1.44	1.66	1.63	1.94	1.73	1.72	1.83
CEO equity compensation	1.28	1.28	1.38	1.51	1.54	1.90	1.31	1.31	1.50
INT Degree $_{t-1}$	1.55	1.57	1.65						
INT Berry $_{t-1}$				1.76	1.77	1.97			
INT Speed $_{t-1}$							2.21	2.23	1.52
TMT nationality	1.25	1.24	1.42	2.61	2.59	2.45	1.73	1.68	2.17
INT Degree t-1 × TMT nationality	1.38	1.38	1.54						
INT Berry t-1 × TMT nationality				2.83	2.84	2.54			
INT Speed t-1× TMT nationality							2.47	2.47	2.01

A-3.

VIF values for testing Hypothesis 5

	H5a: INTDgree			H5a: INTBerry			H5a: INTSpeed			H5b: INTDegree			H5b: INTBerry			H5b: INTSpeed		
	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t
ROA(NI) $_{t-1}$	1.21	1.20	1.22	1.43	1.55	1.63	1.40	1.59	1.45	1.18	1.19	1.19	1.41	1.45	1.59	1.38	1.38	1.35
Size $_{t-1}$	1.58	1.57	1.52	1.49	1.52	1.49	1.32	1.34	1.25	1.60	1.60	1.55	1.52	1.59	1.56	1.35	1.35	1.30
Leverage $_{t-1}$	1.34	1.35	1.35	1.31	1.31	1.39	1.30	1.33	1.34	1.34	1.35	1.35	1.32	1.35	1.42	1.32	1.34	1.36
Capital intensity $_{t-1}$	2.68	2.76	2.94	3.46	3.56	4.65	3.33	3.42	3.80	2.68	2.79	2.98	3.46	3.54	4.72	3.39	3.42	3.88
Liquidity $_{t-1}$	1.45	1.46	1.45	1.77	1.80	1.89	1.42	1.44	1.48	1.46	1.49	1.47	1.79	1.81	1.89	1.44	1.44	1.49
Franchising$_{t-1}$	2.19	2.23	2.52	2.49	2.53	3.18	2.60	2.62	3.10	2.20	2.23	2.45	2.62	2.68	3.20	2.63	2.64	2.96
Avg executives' tenure	1.31	1.31	1.41	1.50	1.52	1.79	1.44	1.46	1.67	1.32	1.32	1.41	1.49	1.50	1.78	1.43	1.43	1.67
Avg executives' age	1.39	1.39	1.44	1.68	1.66	1.95	1.75	1.74	1.82	1.42	1.41	1.46	1.67	1.65	1.94	1.71	1.71	1.81
CEO equity compensation	1.25	1.25	1.32	1.46	1.47	1.82	1.29	1.31	1.48	1.26	1.26	1.38	1.47	1.54	1.90	1.29	1.30	1.51
INT Degree $_{t-1}$	1.55	1.56	1.68							1.59	1.59	1.71						
INT Berry $_{t-1}$				1.97	1.97	2.28							3.12	3.11	3.43			
INT Speed $_{t-1}$							1.70	1.71	1.25							1.30	1.31	1.31
TMT Functional background	1.23	1.22	1.35	2.06	2.06	1.72	1.34	1.44	1.40									
CEO Functional background										1.21	1.21	1.25	2.59	2.58	2.26	1.27	1.28	1.33
INT Degree t-1 × TMT Function	1.12	1.11	1.19															
INT Berry t-1 × TMT Function				2.15	2.12	1.82												
INT Speed t-1× TMT Function							1.70	1.71	1.30									
INT Degree t-1 × CEO Function										1.14	1.14	1.17						
INT Berry t-1 × CEO Function													3.49	3.49	3.26			
INT Speed t-1× CEO Function																1.29	1.30	1.31

A-4.

VIF values for testing Hypothesis 6

	H6a: INTDegree			H6a: INTBerry			H6a: INTSpeed			H6b: INTDegree			H6b: INTBerry			H6b: INTSpeed		
	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t
ROA(NI) $_{t-1}$	1.18	1.21	1.20	1.33	1.42	1.57	1.36	1.36	1.33	1.17	1.19	1.19	1.32	1.40	1.55	1.34	1.34	1.33
Size $_{t-1}$	1.59	1.60	1.53	1.60	1.66	1.62	1.40	1.40	1.30	1.61	1.61	1.56	1.66	1.70	1.69	1.40	1.39	1.36
Leverage $_{t-1}$	1.42	1.44	1.45	1.35	1.38	1.46	1.32	1.34	1.37	1.35	1.37	1.38	1.31	1.33	1.39	1.30	1.32	1.34
Capital intensity $_{t-1}$	2.71	2.81	2.98	3.57	3.65	4.79	3.39	3.42	3.80	2.71	2.82	2.98	3.57	3.65	4.73	3.45	3.47	3.86
Liquidity $_{t-1}$	1.50	1.54	1.52	1.82	1.85	1.93	1.47	1.47	1.51	1.43	1.47	1.46	1.82	1.85	1.93	1.45	1.45	1.47
Franchising $_{t-1}$	2.15	2.20	2.51	2.49	2.53	3.11	2.60	2.61	3.01	2.19	2.23	2.57	2.60	2.64	3.26	2.59	2.59	2.98
Avg executives' tenure	1.31	1.32	1.41	1.49	1.50	1.81	1.45	1.46	1.73	1.33	1.34	1.43	1.66	1.67	2.05	1.45	1.45	1.69
Avg executives' age	1.39	1.38	1.44	1.66	1.64	1.95	1.72	1.71	1.84	1.40	1.40	1.45	1.67	1.65	1.98	1.70	1.70	1.82
CEO equity compensation	1.23	1.23	1.30	1.48	1.51	1.79	1.32	1.32	1.46	1.24	1.24	1.30	1.53	1.56	1.88	1.32	1.32	1.49
INT Degree $_{t-1}$	2.15	2.16	2.28							1.76	1.78	1.92						
INT Berry $_{t-1}$				1.61	1.62	1.82							2.08	2.09	2.46			
INT Speed $_{t-1}$							1.14	1.15	1.46							1.10	1.11	1.22
TMT INT experience	3.03	3.02	3.16	1.25	1.25	1.27	1.47	1.47	1.33									
CEO INT experience										2.11	2.11	2.44	4.57	4.57	3.50	1.32	1.32	1.34
INT Degree t-1 × TMT INT experience	2.76	2.75	2.98															
INT Berry t-1 × TMT INT experience				1.20	1.20	1.25												
INT Speed t-1× TMT INT experience							1.23	1.23	1.40									
INT Degree t-1 × CEO INT experience										2.05	2.06	2.38						
INT Berry t-1 × CEO INT experience													5.20	5.20	4.23			
INT Speed t-1× CEO INT experience																1.05	1.05	1.10

A-5.

VIF values for testing Hypothesis 7

	H7a: INTDgree			H7a:INTBerry			H7a: INTSpeed			H7b: INTDgree			H7b:INTBerry			H7b: INTSpeed		
	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t
ROA(NI) $_{t-1}$	1.28	1.38	1.43	1.63	1.75	1.92	1.54	1.82	1.65	1.23	1.27	1.34	1.49	1.57	1.79	1.52	1.51	1.54
Size $_{t-1}$	1.63	1.65	1.60	1.49	1.52	1.51	1.29	1.31	1.24	1.59	1.61	1.54	1.61	1.64	1.55	1.36	1.36	1.25
Leverage $_{t-1}$	1.36	1.41	1.36	1.36	1.37	1.51	1.34	1.38	1.38	1.38	1.40	1.40	1.37	1.41	1.54	1.36	1.38	1.41
Capital intensity $_{t-1}$	2.69	2.77	2.94	3.42	3.51	4.74	3.32	3.40	3.80	2.68	2.78	2.95	3.47	3.54	4.60	3.39	3.41	3.81
Liquidity $_{t-1}$	1.43	1.46	1.47	1.84	1.87	1.96	1.43	1.45	1.47	1.42	1.45	1.44	1.81	1.83	1.90	1.43	1.43	1.49
Franchising $_{t-1}$	2.10	2.19	2.42	2.53	2.59	3.40	2.54	2.62	3.12	2.10	2.14	2.43	2.48	2.53	3.20	2.56	2.57	2.99
Average executives' tenure	1.33	1.33	1.42	1.50	1.51	1.89	1.45	1.45	1.74	1.33	1.34	1.43	1.50	1.50	1.82	1.44	1.44	1.70
Average executives' age	1.40	1.39	1.47	1.66	1.64	2.06	1.71	1.70	1.86	1.39	1.38	1.45	1.66	1.64	1.96	1.69	1.69	1.82
CEO equity compensation	1.22	1.22	1.29	1.50	1.52	1.99	1.29	1.31	1.51	1.23	1.23	1.31	1.46	1.51	1.86	1.30	1.30	1.47
INT Degree $_{t-1}$	1.61	1.63	1.73							1.58	1.60	1.75						
INT Berry $_{t-1}$				2.53	2.56	4.10							3.20	3.22	5.26			
INT Speed $_{t-1}$							1.53	1.55	1.44							1.11	1.11	1.52
TMT operating ability	1.24	1.42	1.44	2.04	2.07	2.23	1.58	1.74	2.00									
CEO operating ability										1.27	1.29	1.33	1.5	1.53	1.61	1.35	1.33	1.87
INT Degree t-1 × TMT operating ability	1.12	1.17	1.15															
INT Berry t-1 × TMT operating ability				2.49	2.50	3.68												
INT Speed t-1 × TMT operating ability							1.49	1.50	1.48									
INT Degree t-1 × CEO operating ability										1.16	1.17	1.15						
INT Berry t-1 × CEO operating ability													2.95	2.94	4.85			
INT Speed t-1 × CEO operating ability																1.05	1.06	1.72

A-6.

VIF values for testing Hypothesis 8

	H8:INTDegree			H8:INTBerry			H8:INTSpeed		
	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t	DV: Q_t	DV: ROA_t	DV: IR_t
ROA(NI) $_{t-1}$	1.18	1.20	1.20	1.32	1.41	1.56	1.34	1.35	1.35
Size $_{t-1}$	1.57	1.57	1.51	1.63	1.67	1.68	1.41	1.41	1.35
Leverage $_{t-1}$	1.35	1.35	1.35	1.31	1.33	1.39	1.30	1.32	1.34
Capital intensity $_{t-1}$	2.69	2.79	2.98	3.51	3.59	4.61	3.42	3.45	3.81
Liquidity $_{t-1}$	1.44	1.47	1.45	1.83	1.86	1.99	1.45	1.44	1.47
Franchising$_{t-1}$	2.11	2.16	2.43	2.47	2.51	3.12	2.56	2.57	3.01
Average executives' tenure	1.31	1.32	1.42	1.51	1.52	1.85	1.43	1.43	1.68
Average executives' age	1.51	1.50	1.63	1.67	1.64	1.96	1.70	1.69	1.81
CEO equity compensation	1.24	1.25	1.31	1.47	1.50	1.79	1.31	1.31	1.45
INT Degree $_{t-1}$	1.54	1.55	1.65						
INT Berry $_{t-1}$				15.19	15.86	15.80			
INT Speed $_{t-1}$							1.38	1.39	1.20
CEO external ties	1.18	1.17	1.19	22.20	23.42	13.40	1.23	1.24	1.26
INT Degree t-1 × CEO external ties	1.19	1.17	1.19						
INT Berry t-1 × CEO external ties				33.02	34.66	25.31			
INT Speed t-1 × CEOexternal ties							1.35	1.35	1.09

SUJIN SONG'S VITA

EDUCATION

The Pennsylvania State University, School of Hospitality Management — University Park, PA — Aug 2018
Ph.D. in Hospitality Management

Florida International University, School of Hospitality & Tourism Management — Miami, FL — Dec 2012
Master of Science in Hospitality Management

Paichai University, School of Hospitality Management — Daejeon, S. Korea — Aug 2006
Bachelor of Science in Hotel & Tourism Management

PUBLICATIONS (*=Corresponding author)

Song, S.*, Park, S., & Lee, S. (2018). Does Franchising Reduce Geographically-Diversified Restaurant Firms' Risk?, *International Journal of Contemporary Hospitality Management. 30*(11).

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Lee, S.* & **Song, S.** (2016). Environmental awareness and practices among hotel chains. Ivanov, S., Ivanova, M., & Magnini, P. V. (Ed.), *The Routledge Handbook of Hotel Chain Management* (pp. 439-448). London & New York: Routledge.

TEACHING EXPERIENCE

Certified Hospitality Educator (CHE), *American Hotel & Lodging Association* — 2016

Instructor, *The Pennsylvania State University*

- HM 336: Hospitality Managerial Accounting — Spring 2018
- HM 271: Introduction to Hospitality Management Technology — Fall 2017, Spring 2017