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Unbundling the Effects of Internationalization on Firm Performance in Emerging Economies: The Moderating Effects of Strategic Resource Decisions

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UNBUNDLING THE EFFECTS OF INTERNATIONALIZATION ON FIRM PERFORMANCE IN EMERGING ECONOMIES: THE MODERATING EFFECTS OF STRATEGIC RESOURCE DECISIONS

ABSTRACT

We investigate how strategic resource decisions—concerning slack resources and strategic marketing ambidexterity—influence the relationship between internationalization and firm performance of emerging market firms. Based upon the resource-based view, we synthesize two dominant, yet divergent, perspectives that explain the respective resource slack advantages and liabilities in the internationalization literature: the *flexible capacity* and the *efficient capacity* perspectives. We also explore the moderating role of strategic marketing ambidexterity which comprises a bundle of marketing activities covering both exploitation-dominant actions and exploration-dominant actions. We empirically examine our hypothesized relationships with data from a sample of 1,683 firm-year observations for the period between 2005 and 2018 and find that distinct forms of resource slacks have contrasting effects on the relationship between internationalization and performance. Our results provide strong evidence for positive moderation effect of unabsorbed slack resources and a negative moderation effect of absorbed slack resources on the internationalization-performance relationship. We also indicate nonsignificant moderating effect of strategic marketing ambidexterity, demonstrating that internationalization attains higher firm performance regardless of its exploration-dominant or exploitation-dominant strategic emphasis in emerging economies.

Keywords: slack resources, strategic marketing ambidexterity, internationalization, firm performance, emerging economies

INTRODUCTION

Understanding the internationalization-performance (I-FP) relationship in a business that expands

its activities beyond national borders has been central to strategic decision making in firms for

more than three decades (Kirca et al. 2011; Marano et al. 2016). In this regard, accessing new

resources and capabilities are of critical importance for the internationalization process of

emerging market firms due to the typically unfavorable effects of home country institutional

factors (Bandeira-de-Mello et al. 2016; Hsu, Lien, and Chen 2013). The resource-based view

acknowledges firm resources as a key instrument that help firms change the pattern of

internationalization and achieve a sustainable competitive advantage in foreign markets

(Wernerfelt 1984). Based upon the resource-based view, firms are regarded as bundles of

resources, elaborating special attention on the prominence of slack resources referring to the

available resources that can be transferred or redeployed towards firm strategies and aspirations

(Mishina et al. 2004; Voss et al. 2008). Within this context, we argue that slack resources play an

important role in international markets. There are two perspectives that explain whether (or not)

slack resources facilitate internationalization and thereby improve firm performance.

The *flexible capacity* perspective has long argued that slack resources help firms handle

the complex process of internationalization owing to its buffer mechanism paying off extra costs

arising from international activities (Mishina, Pollock, and Porac 2004). In contrast, the *efficient

capacity* perspective delineates the unfavorable effects of greater slack resources on firm

performance due to inefficient utilization of firm resources within an organization (Nohria and

Gulati 1996). Notwithstanding the controversies in the literature, we contend that both these

perspectives are theoretically crude.

We posit that *distinct types of resource slacks trigger managers to engage entirely in

different internationalization activities, yielding diverse effects on firm performance* via *shaping*

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the strength and direction of the I-FP relationship (Lin, Cheng, and Liu 2009). Specifically, we propose that the internationalization-performance (I-FP) relationship for emerging market firms is moderated by the differential effects of two types of resources being absorbed slack resources and unabsorbed slack resources.

Building upon the lens of the dynamic capability view, which is a supplementary theory to the resource-based view, firms sustain competitive advantages by integrating, building, and reconfiguring resources (Teece, Pisano, and Shuen 1997). While the resource-based view concentrates on getting benefits from a firm's existing resource base, the dynamic capability view focuses on deliberate modifications to this resource base so as to accommodate changing environments and achieve competitive advantage (Schilke, Hu, and Helfat 2018). In this respect, the former view emphasizes the possession and exploitation of a firm's current resource base, whereas the latter view addresses to the deployment and reconfiguration of these assets and resources (Makadok 2001). Correspondingly, slack resources are those that are available above the extant demand level and are available to be deployed towards potential firm operations (Verbeke and Yuan 2013).

Strategic marketing ambidexterity, which emerges as one of the most important implications of dynamic capabilities, consists of a firm's capacity to create value from current resources and operations by not only concentrating on exploiting present market opportunities, but also exploring potential market preferences with the purpose of meeting future customer demands (Mizik and Jacobson 2003). As this capacity has been attributed to either exploration and exploitation or ambidexterity (O'Reilly and Tushman 2008), we contend that strategic marketing ambidexterity is a dynamic capability. Despite the importance of finding an optimum balance in strategic marketing ambidexterity, previous studies demonstrate that it is neither common nor desirable to stabilize their strategic emphasis from the perspective of business

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enterprises (e.g., Raisch et al. 2009), since they may choose to give more priority to one than the other (i.e., exploitation-dominant or exploration-dominant) (e.g., He and Wong 2004). Also, the effects of exploitation and exploration actions in internationalization activities change over time (Sousa, Li, and He 2020); equally, their capabilities play influential roles on the internationalization activities of emerging market firms (Vahlne and Jonsson 2017).

In order to elaborate on the mechanism as to how these forms of slack resources impact the I-FP relationship, we propose that firms need to instill strategic marketing ambidexterity— which is theorized as the composition of exploitation and exploration through strategic marketing actions (Josephson, Johnson, and Mariadoss 2016). Thereby, slack resources help organizations to engage more actively in both exploitation and exploration activities (Srinivasan, Rangaswamy, and Lilien 2005). Firms in pursuit of internationalization intentions employ available resources for discretionary use to promote their ambidextrous activities (Dasí, Iborra, and Safón 2015; Mishina et al. 2004). Slack resources that are considered as shock absorbers offering high level of strategic flexibility encourage both exploitation and exploration activities (Bradley, Shepherd, and Wiklund 2011). Importantly, additional resources leverage firms' efforts devoted to exploratory and exploitative activities (Sirmon et al. 2007), where emerging market firms can readily utilize financial and strategic slack resources to promote their ambidextrous activities in international markets (Zhou et al. 2020).

Given the diverse theoretical assumptions underlying the I-FP relationship along with the associated boundary conditions arising from firms and countries, it is not unexpected that prior studies reveal conflicting and fragmented results (Geleilate et al. 2016). Within this context, several researchers acknowledge that the positive impact of internationalization on firm performance is not conclusive and even weaker in emerging markets compared to advanced economies (Kirca et al. 2012; Geleilate et al. 2016). Several reasons explain the critical role of

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the internationalization-performance relationship in emerging markets and these include: (i) the exposure factor—increased levels of liberalization and globalization result in the risk aversive behaviors of managers in emerging markets that consequently result in their economies remaining closed (Agnihotri and Bhattacharya 2015); (ii) the comparative factor—emerging markets lack rigid market and labor regulations due to deficiencies in home country institutional environment mitigating expansion opportunities for their firms (Meyer and Peng 2005); (iii) the late entry factor—emerging market firms commonly suffer from being late entrants to international marketplaces and may thereby lose out on market development because they lack insights of market structure and development opportunities as customer demands evolve (Amsden 2001).

Even though there exist a vast array of empirical studies examining the link between internationalization and firm performance in the context of advanced economies (e.g., Powel 2014; Shin et al. 2017), recent studies have addressed emerging economies (Carneiro, Bamiatzi, and Cavusgil 2018; Kirca et al. 2012) with the preponderance being focused on China (e.g., Zhou et al. 2007; Zhang et al. 2014) and India (e.g., Contractor Kumar, and Kundu 2007; Singla and George 2013). In this sense, research on emerging countries from distinct institutional settings is expected to enhance the understanding on the rapid evolution of emerging market firms during their internationalization process (Carneiro, Bamiatzi, and Cavusgil 2018).

Despite the laudable attempts of previous research to examine the I-FP relationship, several neglected areas remain with regard to whether and when a firm's internationalization activities achieve greater firm performance (Marano et al. 2016; Powell, 2014). In the light of these considerations, we examine the I-FP link within Turkish firms as an emerging economy context by investigating the moderating impact of strategic resource decisions (i.e., slack resources and strategic marketing ambidexterity) on this relationship. In doing so, we draw upon

the resource-based view of the firm and aim to fill knowledge gaps in the extant literature by addressing two fundamental research questions: (1) how do different types of slack resources (i.e., absorbed slack resources and unabsorbed slack resources) change the shape and direction of the relationship between internationalization and firm performance in the context of emerging market firms?; (2) which aspect of strategic marketing ambidexterity (i.e., exploitation-dominant or exploration-dominant) is more effective in strengthening the internationalization-performance link?.

In addressing these questions, we provide three contributions to the international business/marketing literature on the I-FP relationship. First, we provide strong evidence for positive moderating effect of unabsorbed slack resources on the I-FP relationship. Second, we theoretically derive a negative moderating effect of absorbed slack resources, supporting theoretical reasoning of the unfavorable effects arising from the inefficient use of firm resources. In doing so, this research extends the literature by synthesizing two opposing perspectives: while a positive moderating effect of slack resources accommodates the theoretical premises behind "flexible capacity", a negative moderating effect of slack resources endorses the "efficient capacity". Third, we shed light on the insignificant moderating effect of strategic marketing ambidexterity on the I-FP link, revealing the fact that emerging market firms' internationalization enhances firm performance regardless of these firms' exploration-dominant strategic emphasis or exploitation-dominant strategic emphasis.

In this vein, our study examines a conceptual model with a unique dataset of 164 publicly traded Turkish manufacturing firms over a 14-year financial window (2005-2018), concentrating on a novel-based, multi-industry, and longitudinal assessment of internationalization of firms. As a result, the findings yielded from this study provide valuable insights for both marketing

scholars and practitioners concerning whether and when firm's internationalization activities

drive superior firm performance.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Internationalization and Firm Performance of Emerging Market Firms

The internationalization of firms from emerging markets has long been argued as a significant

contributor to global economic welfare (Bandeira-de-Mello et al. 2016; Keen and Wu 2011).

Despite many years of investigation, there is no clear consensus about the link between

internationalization-performance in the emerging economies context, as previous research

produces fragmented and inconclusive findings. Table 1 illustrates exemplars of research that has

examined the I-FP relationship in emerging economies.

... Insert Table 1 about here ...

While some scholars establish a positive relationship between internationalization and

firm performance in the context of emerging markets (e.g., Cuervo-Cazurra et al. 2018; Zhang et

al. 2014), others report a negative link among the constructs (e.g., Gaur and Delios 2015; Singla

and George 2013). On the other hand, some studies report non-linear and quadratic relationships

between internationalization and performance (e.g., Contractor, Kumar, and Kundu 2007; Xiao et

al. 2013). Addressing these contradictory findings based upon two controversial theoretical

premises, while some scholars advocate a positive effect of internationalization on firm

performance, considering its inherent benefits such as economies of scale, experiential learning

curve, and flexible access to resources (Cardinal et al. 2011), others focus on additional costs

derived from complex nature of internationalization activities and report the negative impact of

internationalization on firm performance (Hennart 2011).

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Regarding the resource-based view, emerging market firms employ internationalization as a means to both seek and utilize strategic resources as these firms are exposed to higher liability of foreignness and competitive detriments arising from being late entrants to the market and exhibiting a shortage of the requisite resources and capabilities (Luo and Tung 2007). The resource-based view advocates that firms with specific resources and capacities are better able to cultivate these resources in the international arena by exploiting valuable opportunities (Bausch and Krist 2007).

In this sense, emerging market firm behavior can be explained by two internationalization theories by following either incremental or accelerated internationalization pathways. Based on internationalization process theory, emerging market firms are inclined to choose foreign markets sequentially considering their perceived proximity (Johanson and Vahlne 1977). Evidence demonstrates that Germany with a lower degree of psychic distance is Turkey's most exported destination (WTO 2019). On the other hand, emerging market firms that face severe institutional shortcomings expand into developed markets with the aim of avoiding weak institutional climates at home (Wu and Deng 2020) and exhibit springboard behavior to recover local institutional constraints by acquiring strategic resources and offsetting their existing disadvantages (Luo and Tung 2007). In this regard, it should also be noted that emerging market firms may also exhibit springboard behavior when they expand into other emerging markets to gain expertise in mass production that yield competitive advantage and decrease their future liability of foreignness (Luo and Tung 2018). From the springboard perspective, emerging market firms accelerate their internationalization process by heavily engaging in original equipment manufacturing (OEM) activities so as to attain economies of scale and mitigate their liability of foreignness which, in turn, generates favorable impacts on firm performance (Klossek, Linka, and Nippa 2012; Yaprak, Yosun, and Cetindamar 2018).

The Moderating Effects of Strategic Resource Decisions

The Moderating Role of Slack Resources. Drawing upon the resource-based view, firm resources are regarded as essential catalysts for firms to promote their international presence and sustain competitive positions in global marketplaces (Wernerfelt 1984). Resource availability serves a critical function in governing a firm's international development, as internationalization necessitates more resources that require firms to serve with additional costs arising from international activities and liability of foreignness (Tseng et al. 2007). However, this is particularly important for firms from emerging markets that are characterized with an uncertain structural environment with higher risks, resulting in greater necessity for regulatory and compliance resources in the international arena (Contractor, Kumar, and Kundu 2007). In this sense, excess resources have come under sharp scrutiny as the existing literature presents two countervailing arguments: (a) slack is a form of flexibility which plays an impetus role in accomplishing planned projects (e.g., Bourgeois 1981); or (b) slack is a sign of inefficiency which implies to the waste that should be eliminated in an organization (e.g., Nohria and Gulati 1996). In this sense, slack resources have long been discussed whether to grow or inhibit firm's ability in expanding into foreign markets (Paeleman, Fuss, and Vanacker 2017). We refer to this as *flexible capacity* whereby slack resources are defined as "a flexible pool of unused resources in an organization that is in excess of the minimum necessary to produce a given level of organizational output" (Nohria and Gulati 1996, p. 1246). Nonetheless, slack resources have been conceptualized in several different ways relying upon its nature in terms of redeployability, accessibility, and location (Voss, Sirdeshmukh and Voss 2008). Empirical evidence demonstrates that emerging market firm managers pursue different internationalization patterns that conflate varying international performance level attributable to different resource slacks (e.g., Lin, Cheng, and Liu 2009).

Researchers have distinguished slack resources as absorbed slack resources and unabsorbed slack resources (Bourgeois 1981). A key conceptual consideration here is to comprehend whether it is the mere shortage or multitude of slack resources favoring emerging market firms' internationalization activities that result in improved firm performance in international markets (Paeleman, Fuss, and Vanacker 2017; Tan and Peng 2003). As emerging market firms face a plethora of challenges derived from internationalization activities in overseas markets such as liability of foreignness, liability of newness, and supplementary operational and regulatory costs (Contractor 2007; Hsu, Lien, and Chen 2013), slack resources are expected to act as a facilitator role in absorbing environmental shocks encountered in international markets (Lin, Cheng, and Liu 2009).

Unabsorbed slack resources describe the uncommitted and readily available excess resources that provide flexibility to firms as they can be easily diverted into different strategic projects (Bourgeois 1981). A plethora of studies have placed special emphasis on the adequacy or abundance of resources, acknowledging the importance of finding an optimum degree of slack resources held within an organization from emerging economies (Tan and Peng 2003). Their rationales are founded on several tenets: (i) to adapt to the unfamiliar and varying international environments; (ii) to create a buffer effect in absorbing uncertain and unmanageable shocks and deal with additional costs derived from international activities; (iii) to retain flexibility in addressing unexplored opportunities and initiating new investments in foreign markets (Mishina, Pollock, and Porac 2004; Lin, Liu, and Cheng 2011). Firms originating from emerging markets that are characterized by weaker institutional environments may exploit unabsorbed slack with the aim of investing in developed markets as an approach to avoid ambiguities and liabilities of the local climate (i.e., institutional escapism) (Geleilate et al. 2016). For instance, financial slack resources, which are considered as the least committed resources and comprise liquid assets such

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as cash reserves and receivables, can be readily transferred to different activities (Miller 2003;

Voss et al. 2008). Thereby, emerging market firms can gain from uncommitted resources when

expanding into developed economies through the springboard effect, thereby overcoming their

resource constraints at home (Luo and Tung 2007). In this regard, unabsorbed slack resources are

expected to encourage internationalization activities of emerging market firms and yield

favorable impacts on firm performance.

> H_1: Unabsorbed slack resources have a positive moderating effect on the
> internationalization-performance relationship in emerging markets, such that higher levels
> of unabsorbed slack resources strengthen the internationalization-performance relationship.

On the other hand, absorbed slack resources refers to the committed and embedded excess

resources that are difficult to redeploy within an organization (Bourgeois 1981), as these

resources are extensively engaged with daily activities and less flexible to deploy to alternative

purposes (Dasí, Iborra, and Safón 2015). For example, human resource slack, which are regarded

as the most committed form of resources and consist of specialized and qualified personnel, offer

lower managerial discretion and greater lock-in which challenges their redeployment to

alternative situations (Mishina et al. 2014). This implies that firms adopt the *efficient capacity*

perspective and fail to leave sufficient time to explore new strategic alternatives that change the

strategic behavior of the firm (Voss, Sirdeshmukh and Voss 2008). This includes engaging in

rapid and high-risk internationalization activities, particularly in emerging markets with greater

propensity of uncertainty avoidance in their trade cultures (Agnihotri and Bhattacharya 2015).

Absorbed slack resources suggest that emerging market firms do not exhibit the strategic or

operational capacity to pivot when required and their absorbed resources, due to their difficult-to-

redeploy nature, leads to non-transmissibility of resources toward activities that could help

emerging market firms to enhance international operations such as entering into new foreign

markets or making explorative market research in global arena.

> H$_2$: Absorbed slack resources have a negative moderating effect on the
> internationalization-performance relationship in emerging markets, such that higher levels
> of absorbed slack resources weakens the internationalization-performance relationship.

The Moderating Role of Strategic Marketing Ambidexterity. Regarding the international

business landscape, dynamic capabilities help firms grasp new market knowledge and

opportunities with the intent to expand into foreign markets and achieve success in the

international arena (Prange and Verdier 2011). Given this, ambidexterity emerges as one of the

most pivotal manifestations of dynamic capabilities (e.g., Tushman and O'Reilly 1996). We

contend that strategic marketing ambidexterity is conceptualized as a bundle of marketing

activities involving both exploitation-dominant actions and exploration-dominant actions. While

the former refers to the creation of value through current knowledge and expertise, the latter

implies to the development of new value opportunities meeting with customer preferences

(Josephson Johnson, and Mariadoss 2016). Ambidexterity as a dynamic capability is a source of

competitive advantage owing to its facilitator role in both resource deployment and resource

configuration within an organization (Eisenhardt and Martin 2000).

Within this context, dynamic capabilities are critical for a firm to offset exploitation-

dominant actions and exploration-dominant actions in international markets, as different bases

are demanded for their evolution (Villar, Alegre, and Pla-Barber 2014) with the important roles

of both capabilities on the internationalization pathways of emerging market firms (Vahlne and

Jonsson 2017). Nevertheless, while strategic marketing ambidexterity plays a fundamental role

within a firm (Rapp et al. 2013), particularly in emerging economies (Bandeira-de-Mello et al.

2016; Lin and Si 2019), empirical insights are limited regarding the *ideal* alignment among these

two disparate and competing strategic choices and emerging market firm's performance implications in international markets.

Exploitation activities concentrate on knowledge acquisition relying upon their existing competencies or prior experience, in such a way that following identical and previously used paths to gain or maintain a competitive advantage (Voss and Voss 2013). However, this can dupe firms into an organizational myopia (Levinthal and March 1993). This may blinker emerging market firms operating in international markets from the diversity of new and different demands that confront them, as marketing-based exploitation practices largely consist of advertising and promotion related strategies, concentrating on developing value through leveraging current market with existing knowledge (e.g., McAlister, Srinivasan, and Kim 2007).

Exploration consists of proactive activities related to foreign market information acquisition and developing new opportunities (Voss, Sirdeshmukh, Voss 2008), which constitute essential instruments of internationalization process for firms from emerging economies (Bandeira-de-Mello et al. 2016). Therefore, exploration activities essentially comprise research and development (R&D) capabilities (e.g., Josephson Johnson, and Mariadoss 2016) with the aim of enhancing competitive posture over rivals through innovative and explorative activities in emerging markets (e.g., Zhou et al. 2020).

In the pursuit of strategic marketing ambidexterity, it is critical for managers to arbitrate their strategic emphasis in terms of exploration-exploitation, as exploitation and exploration have diverse effects on internationalization activities (Sousa, Li, and He 2020). Extending our 'differential reasoning', we argue that an emerging market firm's strategic marketing ambidexterity enables it to help integrate, build, and reconfigure resources with aim of creating competitive advantage in international markets. Furthermore, firms adopting exploitation-dominant actions follow a clearly distinct path that supports an incremental internationalization

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process rather than firms adopting exploration-dominant actions that encourage an accelerated

internationalization process (O'Reilly and Tushman 2008). In this sense, it is expected that

emerging market firms may demonstrate springboard behavior to tackle home country

institutional constraints and latecomer disadvantages (Luo and Tung 2007). This is particularly

noteworthy for firms originating from emerging markets that compete for scarce resources when

making investments in unknown and, for them, unpredictable environments with unfavorable

home country institutional conditions (Hsu, Lien, and Chen 2013). In this regard, it is expected

that emerging market firms with exploration-dominant strategic emphasis tend to proactively

delve into unidentified opportunities and venture new and riskier international operations with an

aim to improve their firm performance.

> H$_3$: Strategic marketing ambidexterity has a negative moderating effect on the
> internationalization-performance relationship in emerging markets, such that firms with
> exploration-dominant strategic emphasis (negative score) strengthen the
> internationalization-performance relationship compared to exploitation-dominant strategic
> emphasis.

… Insert Figure 1 about here …

RESEARCH METHODOLOGY

Sample and Data

Since the 1990s, globalization activities have increased significantly which is partly attributable

to the greater engagement in international trade for firms in emerging economies such as China,

India, Brazil, Turkey, and Mexico (Satta, Parola, and Persico 2014). In line with this, the Turkish

context provides a suitable research setting for scholars because it is one of top emerging markets

(Kirca 2011), having both comparable institutional climates with other emerging economies and

serving as a bridge among Central Asian, European, and Middle Eastern countries owing to its

strategic geopolitical position and cultural familiarities with these markets (Demirbag,

McGuinness, and Altay 2010). In addition, Turkey is a rapidly growing emerging market which

has restructured its economy into a liberal, active, and munificent marketplace, which also has witnessed a large preponderance of firms that expand to overseas markets (Uner et al. 2013), it provides a fertile ground in which to study the I-FP relationship. Further, the rise of Turkish economy is extensive depending upon the total amount of exports in which more than half of international firms adopts a direct exporting model (Turkish Statistical Institute (TSI) 2016). In the last two decades, Turkey's total export of manufactured goods was $180.5bn in 2019, in comparison with $73.4bn in 2005 (Turkish Exporters Assembly (TEA) 2020). For Turkish exporting firms, Germany has become the most attractive and sustained market for many years (TEA 2020) due to the fact that there exists a wealth of Turkish immigrants residing and doing business there, which helps to decrease perceived psychic distance and accelerate internationalization. Further, Turkish firms export to over 160 foreign markets and have mostly been involved in original equipment manufacturing (OEM) activities, which allow firms to manufacture and export foreign firms' products under their brand names and distribution networks (Saavedra et al. 2013), by increasing their production capacities, achieving economies of scale in the home market, and taking the advantage of selling other firms' recognized brands in many countries throughout North Africa, Europe, America, and Asia. Due to the serious economic and political crisis experienced by Turkey in 2001, internationalization has become an appealing alternative for Turkish manufacturing companies to survive in these highly competitive and globalized worlds and enhance profits via expanding into new foreign markets.

Our dataset examines a sample of Turkish publicly traded firms operated internationally between 2005 to 2018. The data were collected and integrated from several secondary sources including the COMPUSTAT and Bloomberg databases. Figure 2 depicts our data sampling process. The unbalanced nature of our data along with our lagged dependent variable yielded a final sample of 1,683 firm-year observations for 164 firms.

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… Insert Figure 2 about here …

Variables and Measures

Table 2 presents an overview of all variables modeled in our study with involving definitions, measurements, and data sources.

Firm Performance. Return on assets (ROA) is used to measure firm performance. We employed this accounting-based measure for two main reasons. First, it is the most appropriate indicator that demonstrates how well economies of scale has been achieved within a firm, since firm internationalization is mostly related to the attainment of economies of scale and scope (Kim, Hwang, and Burgers 1989). Second, we ensure that our study is comparable with others, since previous studies examining the relationship between internationalization and firm performance have typically adopted this measure in the international business literature (e.g., Contractor, Kumar, and Kundu 2007; Gomes and Ramaswamy 1999). On the other hand, we dismissed the use of another accounting-based measure of return on equity (ROE) which is more susceptible to fluctuations in firms' capital structure (Hitt et al. 1997) and market-based measure of firm performance such as Tobin's Q or market value which are highly influenced by other factors such as revenue inconstancies or future economic forecasts, rather than merely internationalization (Ball and Kothari 1991). Further, we did not use multiple measures to examine firm performance, as several scholars delineate the similarity of the results derived from using interchangeable measures (e.g., Chen and Tan 2012). Therefore, firm performance was operationalized by return on assets was measured by the ratio of firm net income to total assets (Fang, Palmatier, and Steenkamp 2008). Owing to the nature of panel data (Imbens and Wooldridge 2009), we lagged ROA by two years so as to allow a longer time period for the effects of internationalization activities to materialize, which is in line with the convention employed in comparable studies (e.g., Hitt et al. 2006).

Firm Internationalization. Firm internationalization is calculated as the ratio of export

sales to total sales (ESTS), which has been widely used to investigate the internationalization-

performance association (Contractor Kumar, and Kundu 2007; Kirca et al. 2012). We selected

this measure instead of foreign sales to total sales (FSTS) because of three salient reasons: (a)

exporting is the most used foreign market entry mode as the first phase of internationalization

conforming with "Uppsala model" in emerging economies (Figueira-de-Lemos, Johanson, and

Vahlne 2011); (b) more than 50 percent of companies employ a direct exporting model in Turkey

(Turkish Statistical Institute (TSI), 2016), and (c) it is critical to identify relevant measures with

an intent of building credible cumulative knowledge in an academic discipline (Katsikeas et al.

2016). However, the unavailability of data on Turkish firms prevents the usage of composite

measures such as the number of countries operated or international firm experience (e.g., Gomes

and Ramaswamy 1999).

Moderating Variables. Our conceptual model specifies three moderating variables being

absorbed slack resources, unabsorbed slack resources, and strategic marketing ambidexterity.

Absorbed slack resources was measured using net working capital (working capital – cash)

divided by total assets, which allows researchers to make a clear comparison between absorbed

and unabsorbed slacks in terms of their potential effects on firm performance (Kim and Bettis

2014). In addition, unabsorbed slack resources were calculated as the ratio of current assets to

current liabilities in line with the previous studies (e.g., Zhang et al. 2016).

With respect to the measure of strategic marketing ambidexterity, we align with others

and employ indicators derived from selling, general and administrative expenses (SG&A) and

research and development (R&D) expenses to create measures of exploitation and exploration

(Josephson Johnson, and Mariadoss 2016; Mizik and Jacobson 2003): the ratio of SG&A

expenses subtracted from R&D expenses divided by total assets. In line with this

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operationalization, while a positive result reflects strategic market ambidexterity which is

exploitation-dominant, a negative value represents an exploration-dominant emphasis (Josephson

Johnson, and Mariadoss 2016).

Control Variables. Our model specifies a series of control variables. First, firm size is

expected to encourage international operations, in such a way that larger firms with stronger

resources and capabilities are more advantageous in acquiring foreign market knowledge (Quer et

al. 2007). Firm size was operationalized as the natural logarithm of total firm assets in a given

year for all models (e.g., Agnihotri and Bhattacharya 2015; Chen and Tan 2012), as log

transformation approaches the data to the normal distribution (Contractor Kumar, and Kundu

2007). Second, leverage was controlled in all models by the impact of debt on firm performance

and operationalized as the total debts of firm (i.e. short term and long-term debts) divided by total

assets (e.g., Paeleman, Fuss, and Vanacker 2017). However, when considering our market share

robustness check (Web Appendix B), we operationalized leverage by dividing a firm's total debt

by its shareholders' equity, which represents capital structure of the firm and the shareholders'

earnings. This is the most frequently used operationalization of leverage when examining effects

on market share (e.g., Curley, Hexter, and Choi 1982; Sullivan 1974). Firm liquidity was

measured by cash and short-term investments divided by total firm assets following Kim and

Bettis (2014). In addition, yearly fixed effects were employed so as to control unforeseen

macroeconomic factors, while industry-specific effects that may influence the relationship

between I-FP differently were regarded based upon two-digit SIC codes. Lastly, the type of

products (i.e., intermediary versus end products) was controlled to acknowledge how different

product types shape the direction and the strength of the I-FP relationship, as these have a crucial

role in the decisions of international marketers (e.g., Wiersema and Bowen 2011).

… Insert Table 2 about here …

Model Development

We employ an unbalanced panel data methodology owing to the data characteristics comprising both cross sectional (i.e., 164 firms) and time series (i.e., 2005-2018) structure. Echoing previous studies (Kumar, Sunder, and Sharma 2015), two essential pre-estimation tests were performed to capture heterogeneity and cross-sectional dependence across the panel data. First, the Breusch–Pagan Lagrangian multiplier (LM) test was conducted to formally test the significance of heterogeneity (Breusch and Pagan 1980) (χ^2=150.37, p ≤ .001). Further, the Hausman specification test was calculated to determine the suitability between random effects and fixed-effects models (Hausman 1978) (χ^2=1.38, p > .1). Both demonstrated the suitability of the random effects generalized least squares (GLS) model instead of the pooled ordinary least squares (OLS) regression and fixed-effects models respectively. In this regard, GLS enables researchers to meet standard least-square assumptions while minimizing potential problems related to autocorrelation and heteroskedasticity in time-series analysis and avoiding unobserved heterogeneity in OLS regression (Greene 2012). Our empirical analysis relied on the following structure (Wooldridge 2002):

$$PERF = \alpha + \beta_1 ESTS + \beta_2 ABSORB + \beta_3 UNABSORB + \beta_4 AMBI + \beta_5 ABSORB*ESTS +$$
$$\beta_6 UNABSORB*ESTS + \beta_7 UNABSORB^2*ESTS + \beta_8 AMBI*ESTS + \beta_9 CONTROLS + \varepsilon.$$

(1)

In equation (1), the dependent variable *PERF* represents firm performance and the independent variable *ESTS* corresponds to internationalization. As our hypotheses imply linear moderating impacts for unabsorbed slack resources, absorbed slack resources, and strategic marketing ambidexterity, these variables are interacted with *ESTS*. Further, β indicates the regression coefficients and α represents the intercept, whereas ε shows the error term, and *CONTROLS* are the control variables.

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We present the findings of GLS panel regressions, where the explanatory variables are inserted sequentially through Model 1 to Model 3, testing the hypotheses (H$_1$-H$_3$). In this sense, Model 1 constitutes the baseline model, indicating the effects of three control variables (i.e., firm size, leverage, and liquidity) on the dependent variable (i.e., firm performance). In this model, we also include the measure of internationalization as a control variable. Model 2 tests the impact of the main effects (i.e., absorbed slack resources, unabsorbed slack resources, and strategic marketing ambidexterity) on firm performance with four control variables also including the internationalization measure. Model 3 is an overall model comprising main effects as well moderating effects of strategic resource decisions on the I-FP relationship. Lastly, in line with prior research (e.g., Josephson, Johnson, and Mariadoss 2016), all measures were standardized to ensure consistent interpretation.

Robustness Checks

In order to test the robustness of the findings, we repeated our sets of models with two alternative measures of firm performance, comprising both efficiency and effectiveness dimensions (Walker and Rueker 1987). While the former is related to the ratio of performance outcomes attained (i.e., return-on measures), the latter is closely associated with the degree to which desired success (i.e., nonfinancial goals) is achieved (Homburg et al. 1999; Katsikeas et al. 2016; Morgan, Kaleka, and Katsikeas 2004). In this regard, for the efficiency firm performance measure, we employed an alternative index of profitability: EBITDA divided by total assets. This is consistent with other studies where robustness of alternative profitability indices is employed (e.g., Cuervo-Cazurra et al. 2018; Gaur and Delios 2015). Web Appendix A shows our additional tests which reveal similar findings and fundamentally support the main results as well as representing the robustness of our empirical evidence. In our robustness analysis, all hypothesized results were consistent

with the exception of H_3, demonstrating the positive and significant moderating impact of strategic marketing ambidexterity (i.e., exploitation-dominant strategic focus) on the I-FP relationship. Second, we performed another, alternative, measure of firm performance in the form of its effectiveness and for this we examined market share—which is the most extensively used measure of product-market performance (Katsikeas et al. 2016). Web Appendix B illustrates these results which are again consistent with the main results except for H1, reflecting a nonsignificant moderating impact of unabsorbed slack resources on the I-FP relationship. This draws a remarkable interference, elaborating not only inconsistent minor variation between two robustness checks, but also interesting departures, which could potentially prompt further research, from our main results with the alternative dependent variables.

ANALYSIS AND RESULTS

Table 3 presents the descriptive statistics and correlations of the variables included in our analysis. As some correlations among the variables demonstrates significant values, variance inflation factors (VIF) were calculated to test the likelihood of multicollinearity in this study. Multicollinearity is a problematic issue for researchers, since it increases the variance of regression coefficients, complicating the interpretation process of the data (Hair 2010). A basic rule is that multicollinearity may create a problem if the VIF values for any independent variable exceeds the value of 10 (Koutsoyiannis 1977). The greatest VIF value is 2.70 in our analysis indicating that multicollinearity is not likely to be an issue in our study (Neter, Wasserman, and Kutner 1990). Also, tolerance coefficients validate the empirical evidence, as the values are well distanced from zero (Moore, McCabe, and Craig 2012). We also exploited other approaches to reduce any potential multicollinearity issues by mean-centering relevant variables (Aiken and West 1991).

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... Insert Table 3 about here ...

Table 4 demonstrates the results of GLS regression coefficient estimates for the interaction effects of a firm's internationalization, absorbed slack resources, unabsorbed slack resources, and strategic marketing ambidexterity on that firm's performance. Results from Model 1, which involves merely control variables has a reasonably good fit ($R^2 = .03$, $\chi^2 = 44.13$, $p \leq .01$), indicating significant effects of three control variables, firm size, leverage, and liquidity on firm performance in the expected directions, which are all consistent with the prior research (e.g., Lin, Liu, and Cheng 2011; Paeleman, Fuss, and Vanacker 2017). Moreover, firms with larger size and cash holdings in emerging economies achieve outstanding firm performance in international marketplaces. Unsurprisingly, firms with higher debt ratio, particularly in emerging markets, are negatively related to firm performance, as firm's internationalization patterns are poorly influenced by their capital structure (Hitt, Hoskisson, and Kim 1997). In Model 1, we also controlled the effect of internationalization on firm performance ($\beta = .0$, $p \leq .1$). In this regard, emerging market firms with higher internationalization attain better firm performance, which is in line with the prior research (e.g., Cuervo-Cazurra et al. 2018; Zhang et al. 2014). This positive association is consistent in both Model 2 ($\beta = .08$, $p \leq .01$) and Model 3 ($\beta = .07$, $p \leq .05$).

Model 2 gives even a better fit ($R^2 = .05$, $\chi^2 = 76.18$, $p \leq .01$), involving both significant linear effects of unabsorbed slack resources ($\beta = .31$, $p \leq .01$) and absorbed slack resources ($\beta = -.07$, $p \leq .1$). Also, strategic marketing ambidexterity has a significant and positive linear impact on firm performance in international marketplaces ($\beta = .16$, $p \leq .01$). This explains that firms from emerging markets adopting an exploitation-dominant strategic emphasis (i.e., positive score) perform better in comparison with firms adopting exploration-dominant focus (i.e., negative score) in their internationalization activities.

As for the three critical moderating impacts—unabsorbed slack resources, absorbed slack resources, and strategic marketing ambidexterity—moderation terms were introduced in Model 3. In this regard, the results indicate that a significant and positive moderating impact of unabsorbed slack resources was observed in Model 3 (β = .29, p $\leq$ .01), supporting H_1. In addition, the positive relationship between internationalization and performance is weaker in a firm with higher level of absorbed slack resources (β = -.08, p $\leq$ .05), which is in support of H_2. Further, the moderating effect of strategic marketing ambidexterity on the relationship between internationalization and performance shows nonsignificant results (β = .04, p $\geq$ .1), rejecting H_3. This nonsignificant moderating effect of strategic marketing ambidexterity indicates that internationalization attains higher firm performance regardless of its exploration-dominant strategic emphasis or exploitation-dominant strategic emphasis in emerging economies. In line with the results, the best fit was obtained with Model 3, comprises all variables that may influence firm performance (R^2 = .11, χ^2 = 205.62, p $\leq$ .01).

... Insert Table 4 about here ...

The graphical representation of these interaction plots is illustrated in Figure 3 (Panel A-C), where the horizontal axis represents the degree of internationalization and the vertical axis indicates firm performance. In Figure 3, Panel A depicts that under the conditions of high unabsorbed slack, greater firm internationalization results in a higher firm performance (i.e., steeper positive slope). On the other hand, Panel B exhibits that a firm with a high level of absorbed slack show a stable performance over time as the degree of internationalization increases, whereas a firm with low level of absorbed slack demonstrates a steeper and positive slope over time as hypothesized in H_2. Moreover, Panel C illustrates that strategic marketing ambidexterity slightly increase firm performance over time regardless of emerging market firms' strategic focus on exploration or exploitation.

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… Insert Figure 3 about here …

DISCUSSION AND CONCLUSIONS

This research contributes to the debate on the relationship between internationalization and firm performance. Specifically, we contribute to understanding of the boundary conditions that may change the shape and direction of this well-established link in the existing literature. This is particularly critical for firms from emerging markets that seek to prudently manage limited resources when entering new foreign markets (Hsu, Lien, and Chen 2013). We underpin our theoretical reasoning with the resource-based view which has been frequently employed to empirically examine the internationalization-firm performance relationship of emerging market firms. We do this by focusing on the moderating effects of strategic resource decisions, namely absorbed slack resources, unabsorbed slack resources, and strategic marketing ambidexterity. With respect to our empirical findings, we consistently demonstrate a positive and significant link between internationalization and firm performance. In contrast to much of the extant literature, we highlight how internationalization activities of firms from emerging markets cultivate firm performance. This is a noteworthy attempt to deepen our understanding of the relationship, as it reveals that conditions of emerging markets may promote internationalization and outstanding firm performance when appropriate boundary conditions occur.

Importantly, our findings indicate a positive and significant moderating effect of unabsorbed slack resources on the internationalization-performance relationship. In line with the synthesis of two dominant and contradictory perspectives—flexible capacity and efficient capacity—this provides evidence for how unabsorbed slack resources play a catalytic role in fostering the internationalization-performance link, particularly in emerging markets by helping firms to diminish the effects of liability of foreignness and newness in foreign markets

(Contractor 2007). As the local market conditions are typically less satisfactory for firms from emerging economies, they tend to invest into markets beyond the national boundaries as a function of institutional escapism with the aid of unabsorbed slack resources (Geleilate et al. 2016). Regarding the flexible capacity perspective, we find that these uncommitted slack resources help firms to tackle resource pressures, representing a springboard effect of firms from emerging markets in their internationalization process (Luo and Tung 2007).

On the other hand, absorbed slack resources exhibit a negative moderating effect on the relationship between internationalization and firm performance, resulting a significant decrease in firm performance over time. Fundamentally, absorbed slack resources do not trigger firms to invest in more internationalization due to their difficult-to-redeploy and non-transferability nature (Bourgeois 1981). For example, it is difficult to enter a new foreign market for firms from emerging markets with slack resources that are committed and non-transferable, as they compete for scarce resources and have a higher risk-averse business culture (Agnihotri and Bhattacharya 2015). Also, this reflects efficient capacity supporting the notion that abundant slack resources result in unfavorable impacts on firm performance due to the inefficient use of existing resources which prevent firms to explore new strategic alternatives (Nohria and Gulati 1996).

Our findings further reveal no evidence that strategic marketing ambidexterity (from exploration-dominant to exploitation-dominant strategic emphasis) moderates the relationship between internationalization and firm performance. Contrary to our expectation, superior firm performance of emerging market firms does not rely upon firms' strategic focus on either exploitation or exploration. An interpretation of this is that these activities may create an economic burden for emerging market firms that compete for scarce resources. Accordingly, this can make it more challenging for them to invest in risky and uncertain returns in foreign markets. Furthermore, this may be the case in the context of Turkey with firms heavily engaged in OEM

activities in international markets (Yaprak, Yosun, and Cetindamar 2018) and mostly exporting to countries with a lower degree of psychic distance (e.g., Germany) (Håkanson and Ambos 2010), all of which are primarily based upon the exploitation of existing manufacturing capabilities (Li 2010) which is in line with the results of our robustness checks. However, our empirical evidence, based upon Model 2, also reveals that strategic marketing ambidexterity has a positive and significant effect on firm performance, in a way that firms with an exploitation-dominant focus (positive score) improves firm performance derived from internationalization activities of firms from emerging markets.

Theoretical Implications

We contribute to the international marketing literature in a number of significant ways. First, much of the early literature paid little attention to the growing role of emerging market firms in the global economy (Keen and Wu 2011). Prior studies have neglected to investigate how these firms can tackle the challenges in the global arena and exploit from opportunities in international markets (Zhang et al. 2014; Zhou Wu, and Luo 2007). We address this gap by enhancing understanding of internationalization-firm performance relationship and unpacking the moderating effects of strategic resource decisions in an emerging market (Kirca 2011).

Second, we enrich theoretical insights into the determinants of the internationalization-firm performance relationship. There is a dearth of research devoted to introducing key moderating variables that significantly changes the direction and shape of the internationalization-firm performance relationship. We make a valuable contribution by empirically examining the moderating effects of slack resources on this relationship and distinguishing the effects of different types of slack resources (i.e., absorbed slack resources and unabsorbed slack resources) based upon two dominant, yet divergent, perspectives that explain

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the respective resource slack advantages and liabilities in the internationalization literature:

flexible capacity and efficient capacity.

Third, even though strategic marketing ambidexterity has drawn increased interest in both

management and marketing areas, this topic of inquiry in international marketing research

remains limited (Sharma, Nguyen, and Crick 2018; Sousa, Li, and He 2020). Therefore, this

study adds a valuable effort to investigate the moderating effect of strategic marketing

ambidexterity via exploration of the distinction between exploitation-dominant and exploration-

dominant strategic emphasis when going global.

Managerial Relevance

We offer valuable practical insights for international marketers. Figure 4 exhibits the key

managerial implications of the study findings on a two-by-two matrix with the axes representing

internationalization, and firm performance, and four quadrants assisting emerging market

managers as a planning tool for their internationalization activities.

... Insert Figure 4 about here ...

First, managers of emerging market firms should not be discouraged by higher initial costs of

internationalization and unfavorable home country institutional conditions. Rather, unpredictable

local circumstances lead these firms to invest in advanced economies or expand into foreign

markets, which are in congruent with the view of institutional escapism. Managers should

therefore set appropriate strategies to initiate internationalization efforts, which attain superior

firm performance in the long term. However, it is also crucial to harvest/hold sufficient

unabsorbed slack resources that can be transferred to strategic activities during

internationalization. Unabsorbed slack resources such as financial slack resources—which are

highly related to the extent of liquid assets held in excess within a firm—are not only necessary

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to realize internationalization activities but also, they act as a buffer to recognizing unforeseen factors and implementing better internationalization strategies that improve firm performance in international marketplaces.

Further, managers are advised not only to invest in unabsorbed slack resources that provide flexibility to firms as they can be easily diverted into different strategic projects, but also to divest high levels of absorbed slack resources such as human resource slack resources—which refer to the total number of employees held in excess within a firm— or to ignore their negative effects in the long run. The reason for this is that they cannot be transferred or strategically redeployed to other areas owing to their absorbed nature and therefore cannot contribute to improving the firm's competitive posture in international markets. Moreover, managers need to understand that emerging market firms do not necessarily adopt merely exploration-dominant strategic emphasis or exploitation-dominant strategic emphasis to enhance the relationship between internationalization and firm performance. Nevertheless, our advice is for emerging market firms to adopt a maintain/expand approach by concentrating on an exploitation-dominant strategic emphasis, which relies upon the experience-based learning by eliminating high risk and ensuring higher firm performance without the necessity of higher costs, but with the special knowledge of observing existing customers' preference in existing markets and strengthening current market linkages in foreign markets (Lisboa, Skarmeas, and Lages 2013; Sousa, Li, and He 2020). On the other hand, it is critical for emerging market firms to reassess and scrutinize the role of slack resources and consider whether slacks held within the firm are a form of flexibility or a sign of inefficiency, and accordingly eliminate additional costs derived from activities that may create an economic burden to enhance firm performance in international markets.

Third, as one of the most intriguing results of our study associates with the stronger I-FP relationship obtained for firms from emerging economies, managers should consider that home

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country characteristics do not seem to be key determinants of firm's international success derived

from internationalization activities as opposed to the pertinent literature (e.g., Kirca et al. 2012),

in such a way that there exist favorable contributing factors stimulating the I-FP relationship

within an organization.

Limitations and Future Research

This study has several limitations that present promising avenues for further research. First, our

empirical findings were derived from a sample of Turkish publicly traded companies. Despite the

use of several control variables such as firm size, leverage, and liquidity, other factors could still

challenge the generalizability of the findings. Therefore, future studies are called to validate our

results in different settings. Second, in common with prior studies, the operationalization of slack

resources is based upon financial measures (Bourgeois 1981). Thus, this study does not consider

the effect of non-financial and intangible sources of slack resources. Third, further studies could

examine the performance construct by integrating both market-related and financial-related

measures. Another important future opportunity could be to extend the scope of

internationalization, which has addressed to the most common entry mode (i.e., exporting) in the

present study, involving other foreign entry modes such as alliances, mergers and acquisitions,

foreign direct investment alternatives. More work exploring firms with different foreign entry

strategies would be insightful for future studies. Also, researchers may focus on the temporal

aspects of internationalization in examining the interaction effects of strategic resource decisions,

as Hilmersson et al. (2017) indicates, special emphasis on the concept of time are important to

appreciate the nature of international expansion dynamics in different ways.

In addition, further research should be designed to incorporate the firm's international

experience as a control variable, which could not be considered in this study due to the data

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availability. Moreover, scholars could produce more research on the investigation of other potential moderating influences on the I-FP relationship. We focused on merely firm-level variables. Thus, further studies could incorporate country-level variables in their analyses. Also, researchers are advised to distinguish whether there exist any differences among service and manufacturing industries in future studies. Another fruitful consideration can be to investigate non-linear moderation effects of strategic marketing ambidexterity, which could help managers to determine the optimum balance on the continuum of two complementary poles of strategic marketing ambidexterity. This would contribute to the ongoing debate to appropriately calibrate firms' emphasis on strategic marketing ambidexterity when going global (Bandeira-de-Mello et al. 2016; Dasí, Iborra, and Safón 2015). Moreover, future studies could also consider other factors that may affect the allocation of resources such as domestic market needs, choices between different foreign markets, and various strategic dilemmas (e.g., market concentration versus spreading, marketing standardization versus adaptation).

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Table 1. Representative research on the Internationalization – Firm Performance relationship in the context of emerging economies

Study	Number of interactions on I-FP Relationship	Theoretical perspectives	Number of boundary conditions	Panel data	Method	Research context	I-FP link	Internationalization measure	Performance measure
Thomas (2006)	Single (geographic distance)	RBV and organizational learning theory	Three (firm size, foreign ownership, technological intensity)	No	Hierarchical regression	386 manufacturing firms in Mexico across 7 years	U-shaped	ESTS	ROS
Contractor, Kumar, and Kundu (2007)	None	Three-stage theory	Two (firm size and firm age)	Yes	GLS regression	269 manufacturing and service firms in India across 5 years	U-shaped	FSTS	ROA, ROE, and ROS
Chen and Tan (2012)	Single (firm size)	Institutional theory	Three (firm age, intangible assets, industry)	Yes	Dynamic panel regression	887 publicly listed Chinese firms across 9 years	Negative	FSTS, ISTS, and IGC	Tobin's Q
Singla and George (2013)	Three (group affiliation, firm age, firm size)	Three-stage theory	Four (time effects, leverage, industry, R&D intensity)	Yes	Panel data regression	237 manufacturing firms in India across 6 years	S-shaped	ESTS	ROA and Tobin's Q
Xiao et al. (2013)	Two (governance structure, degree of centralized control)	Institutional theory	Six (firm size; firm age; firm leverage; R&D intensity; advertising intensity; exchange rate)	Yes	Heckman second-stage model	114,398 foreign-invested enterprises in in China across 6 years	S-shaped	ESTS	ROS
Zhang et al. (2014)	Three (strategic flexibility, structural flexibility, operational flexibility)	Contingency theory	Five (firm size, international experience, industry, ownership and R&D intensity)	No	Ordinary Least Squares Regression	115 small and medium-sized enterprises (SMEs) in China	Positive	Geographic scope	Subjectively measured firm performance
Gaur and Delios (2015)	Two (ownership, group affiliation)	Agency and institutional theory	Five (firm size, age, technological intensity, marketing intensity, and firm leverage)	Yes	GLS regression	327 publicly listed Indian firms across 14 years	Negative	FSTS and FATA	EBITDA/TA
Borda et al. (2017)	Single (business group diversification)	RBV and transaction cost theory	Four (firm size, firm age, industry, country)	Yes	Panel data regression	103 Latin American firms across 7 years	Negative	FSTS	ROA
Buckley and Tian (2017)	Single (R&D intensity)	Internalization theory	Three (firm size, firm age, financial slack)	Yes	2SLS analysis	59 emerging market firms from different countries across 11 years	Positive	FATA, FSTS, and FETE	ROA
Purkayastha, Kumar, and Lu (2017)	Three (family ownership, domestic financial institutional ownership,	RBV and institutional theory	Seven (age, size, leverage, diversification,	Yes	GLS regression	185 Indian business groups across 11 years	U-shaped	FSTS	ROA

	foreign corporate ownership		current ratio, cash flow, R&D intensity)						
Cuervo-Cazurra et al. (2018)	Three (political risk, corruption, region of expansion)	Organizational learning and institutional theory	Three (firm, industry, and country influences)	Yes	GLS regression	536 Latin American firms across 17 years	Positive	Dummy variable for exporting	EBITDA/TA
Zhang Zhang, Yang, and Zhang (2018)	Three (other kinds of absorbed slack resources, absorbed slack human resources, unabsorbed slack resources)	Agency and the resource constraints theory	Three (firm size, firm age, reputation)	Yes	OLS regression	242 engineering service firms from different countries including emerging markets across 12 years	Negative	Geographic scope	ROA, ROE, and ROS
Xiao, Lew, and Park (2019)	None	RBV and region-based view	Six (firm size, firm age, firm leverage, ownership structure, and industry and year dummies)	Yes	GLS regression	492 Chinese service MNEs across 9 years	U-shaped	FSTS	ROA
This study	Three (absorbed slack resources, unabsorbed slack resources, and strategic marketing ambidexterity)	RBV and dynamic capability view	Five (firm size, leverage, liquidity, year effects, industry effects)	Yes	GLS regression	164 Turkish firms and of 1,683 firm-year observations from 30 industries across 14 years	Positive	ESTS	ROA

Notes: RBV = Resource-based view, FSTS = Foreign sales to total sales, ESTS = Export sales to total sales, FETE = Foreign employment to total employment, ROA = Return on Assets, ROE = Return on Equity, ROS = Return on Sales, EBIT = Earnings Before Interest and Taxes, EBITDA = Earnings Before Interest, Taxes, Depreciation, And Amortization, ISTS = Intraregional sales/total sales, IGC = Intragreater China sales/total sales, TA = Total Assets.

Table 2. Variable Definitions and Operationalization

Construct	Definition	Operationalization	Data Source
Firm performance (ROA)	Overall level of firm profitability	The ratio of firm net income to total assets	COMPUSTAT
Firm performance (EBITDA/TA)	Overall financial performance, emphasizing the overall enterprise value	Earnings before taxes, interest, and depreciation divided by total assets	COMPUSTAT
Internationalization (ESTS)	Firm's sales resulting from its exporting operations	The ratio of export sales to total sales	Bloomberg and COMPUSTAT
Absorbed slack resources	Committed resources that are difficult to reposition and embedded within a company as surplus of resources	The ratio of net working capital (working capital – cash) divided by total assets	COMPUSTAT
Unabsorbed slack resources	Uncommitted resources that can be redistributed without difficulty in a company	The ratio of current assets to current liabilities	COMPUSTAT
Strategic marketing ambidexterity (SMA)	Firm's strategic emphasis towards exploitation (positive score) versus exploration (negative score)	The ratio of SG&A expenses minus R&D expenditures scaled by total assets	COMPUSTAT
Firm size	The overall size of the firm	Natural log of a firm's total assets	COMPUSTAT
Liquidity	A financial measurement that demonstrates current cash holdings within a company	Cash and short-term investments divided by total firm assets	COMPUSTAT
Leverage	A financial measure that represents exporting behaviour of a firm influenced by extrinsic financing assured	A firm's total debts (short term debts + long-term debts) divided by total assets	COMPUSTAT

Notes: R&D represents research and development; SG&A means sales and general administrative expenses.

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Table 3. Descriptive Statistics and Correlation Matrix

	Mean	*SD*	1	2	3	4	5	6	7
(1) Firm performance (lagged)	.03	.19							
(2) Internationalization	27.47	25.17	.07*						
(3) Absorbed slack resources	.05	.34	.04	.07*					
(4) Unabsorbed slack resources	2.28	4.81	.06*	.03	.21*				
(5) Strategic marketing ambidexterity	.13	.11	.05*	-.15*	-.12*	-.07*			
(6) Firm size[a]	2.60	.77	.09*	.04*	-.09*	-.12*	-.27*		
(7) Liquidity	.10	.11	.16*	.01	.09*	.27*	-.08*	.19*	
(8) Leverage	.27	.32	-.04*	.02	-.76*	-.33*	.20*	-.01	-.15*

Notes: SD: Standard deviation
*p ≤ .05 (two-sided)
[a] Firm size is transformed to the logarithm form.

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Table 4. Results of GLS Regression Analysis

Variables	Dependent Variable: Firm Performance (ROA$_{lagged}$)		
	Model 1	**Model 2**	**Model 3**
Intercept	.01 (.15)	.003 (.04)	.21** (2.13)
Main effects			
Unabsorbed slack resources		.31*** (3.05)	.48*** (4.75)
Absorbed slack resources		-.07 (-1.62)	-.14*** (-3.04)
Strategic marketing ambidexterity		.16*** (4.73)	.16*** (4.66)
Interaction effects			
Internationalization x Absorbed slack resources			-.08* (-1.93)
Internationalization x Unabsorbed slack resources			.29** (3.30)
Internationalization x Strategic marketing ambidexterity			.04 (1.17)
Control variables			
Internationalization	.06* (1.69)	.08*** (2.52)	.07** (2.28)
Firm size[a]	.07* (1.94)	.13*** (3.48)	.11*** (3.41)
Leverage	-.06* (-1.81)	-.11** (-2.27)	-.05 (-1.23)
Liquidity	.13*** (3.43)	.08** (2.305)	.08** (2.27)
Year effects	Included	Included	Included
Industry effects[b]	Not Included	Not Included	Included
Product type effects[c]	Not Included	Not Included	Included
N of firms	164	164	164
Observations	1683	1683	1683
R^2	.03	.05	.11
Wald χ^2	44.13***	76.18***	205.62***

Coefficients are standardized betas from panel regression, Z-values are in parentheses.
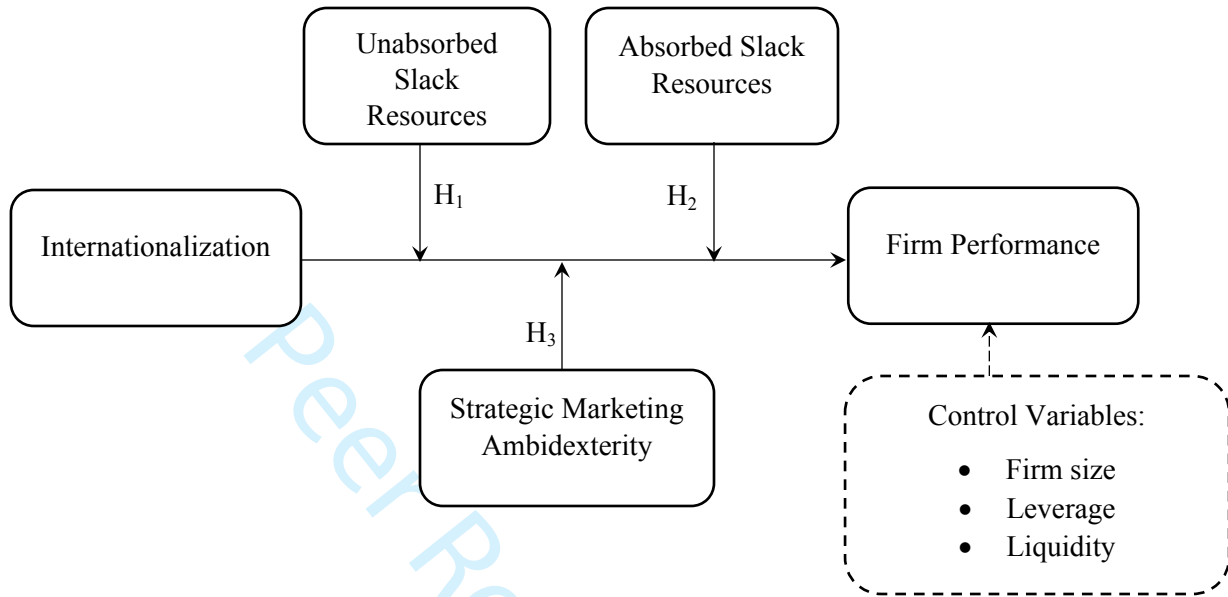* $p \leq .10$, ** $p \leq .05$, *** $p \leq .01$ (two-sided).
[a] Firm size is transformed to the logarithm form
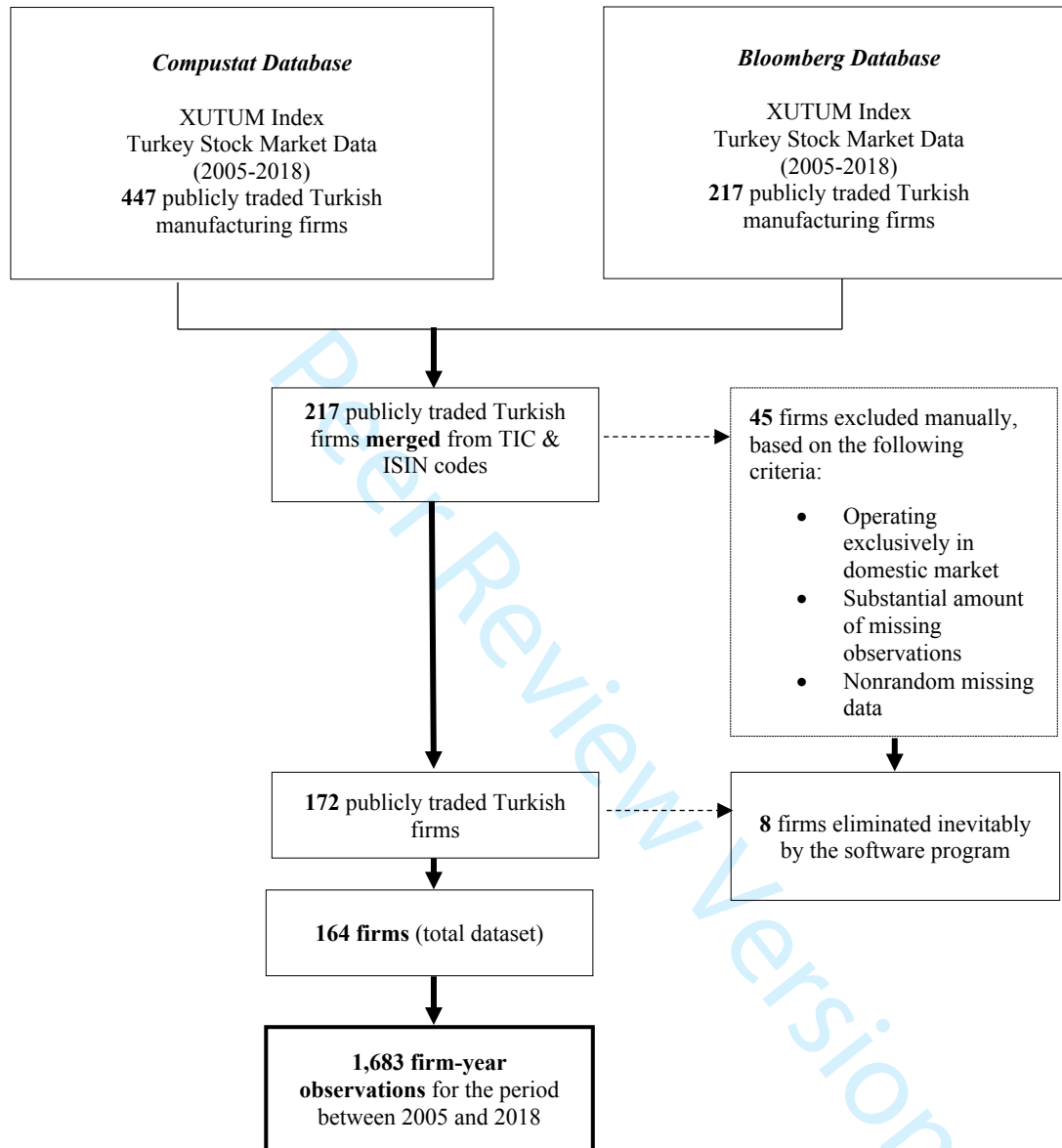[b] Industry effects (two-digit SIC code)
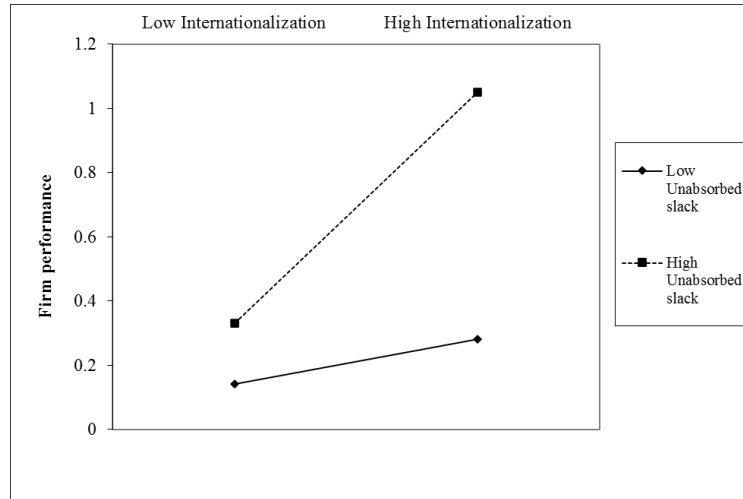[c] Product type effects (i.e., intermediary vs. end-user products).

Figure 1. Conceptual Framework

Figure 2. Data Sampling Process
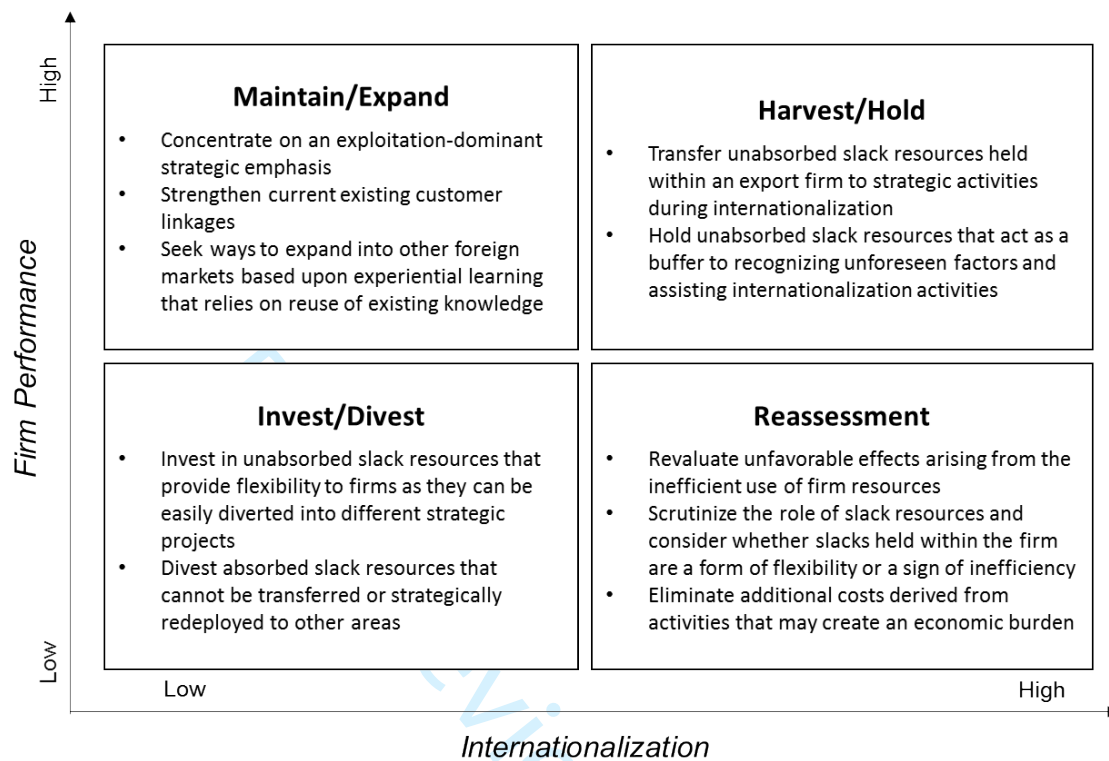
Figure 3. Moderation of Strategic Resource Decisions on the I-FP Relationship

Panel A. Interaction between Internationalization and Unabsorbed Slack Resources

Panel B. Interaction between Internationalization and Absorbed Slack Resources
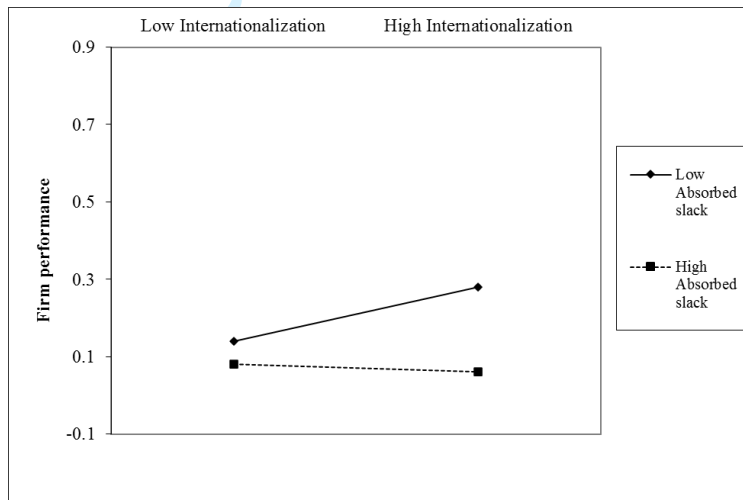
Panel C. Interaction between Internationalization and Strategic Marketing Ambidexterity
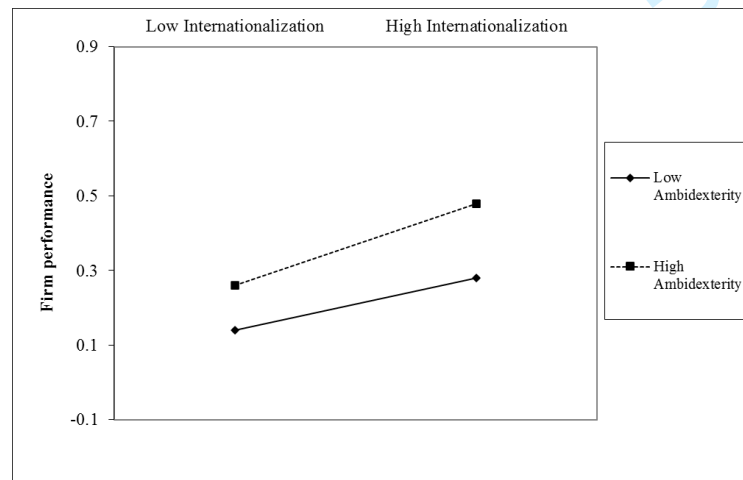
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Figure 4. Managerial Implications of the Findings

WEB APPENDIX

UNBUNDLING THE EFFECTS OF INTERNATIONALIZATION ON FIRM PERFORMANCE IN EMERGING ECONOMIES: THE MODERATING EFFECTS OF STRATEGIC RESOURCE DECISIONS

Nilay Bicakcioglu-Peynirci and Robert E. Morgan

Web Appendix A. Robustness Tests

Variables	Dependent Variable: Firm Performance (EBITDA/TA$_{lagged}$)		
	Model 1	Model 2	Model 3
Intercept	.07 (.98)	.31*** (3.59)	.36*** (4.12)
Main effects			
Unabsorbed slack resources		.23*** (3.17)	.35*** (4.54)
Absorbed slack resources		.19*** (5.77)	.17*** (4.92)
Strategic marketing ambidexterity		.08** (2.93)	.12*** (3.84)
Interaction effects			
Internationalization x Absorbed slack resources			-.06* (-1.83)
Internationalization x Unabsorbed slack resources			.34*** (5.00)
Internationalization x Strategic marketing ambidexterity			.09*** (2.95)
Control variables			
Internationalization	.09*** (2.82)	.06** (2.11)	.10*** (3.43)
Firm size[a]	.24*** (5.95)	.28*** (6.82)	.28*** (7.13)
Leverage	-.13*** (-5.01)	.07** (2.01)	.09** (2.54)
Liquidity	.09*** (3.55)	.08*** (2.87)	.07** (2.36)
Year effects	Included	Included	Included
Industry effects[b]	Not Included	Included	Included
Product type effects[c]	Not Included	Not Included	Included
N of firms	164	164	164

Observations	1683	1683	1683
R^2	.11	.27	.30
Wald χ^2	158.97***	296.04***	378.26***

Coefficients are standardized betas from panel regression, Z-values are in parentheses.

* $p \leq .10$, ** $p \leq .05$, *** $p \leq .01$ (two-sided).

[a] Firm size is transformed to the logarithm form

[b] Industry effects (two-digit SIC code)

[c] Product type effects (i.e., intermediary vs. end-user products).

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Web Appendix B. Robustness Tests

Variables	Dependent Variable: Firm Performance (Market share$_{lagged}$)		
	Model 1	Model 2	Model 3
Intercept	-.31*** (-2.72)	-.32*** (1.08)	-.29*** (-2.50)
Main effects			
Unabsorbed slack resources		-.16** (-2.00)	-.12 (-1.44)
Absorbed slack resources		.10*** (4.47)	.07*** (3.12)
Strategic marketing ambidexterity		.09*** (3.96)	.11*** (4.69)
Interaction effects			
Internationalization x Absorbed slack resources			-.09*** (-4.29)
Internationalization x Unabsorbed slack resources			.06 (1.03)
Internationalization x Strategic marketing ambidexterity			.04* (1.85)
Control variables			
Internationalization	.09*** (4.15)	.08*** (3.73)	.07*** (4.10)
Firm size[a]	.22*** (5.50)	.25*** (6.03)	.26*** (6.41)
Leverage	-.006 (-.58)	-.008 (.85)	-.01 (-1.20)
Liquidity	-.02 (-1.32)	-.002 (-.15)	-.008 (-.46)
Year effects	Included	Included	Included
Industry effects[b]	Included	Included	Included
Product type effects[c]	Included	Included	Included
N of firms	150	150	150
Observations	1276	1276	1276
R^2	.42	.42	.43
Wald χ^2	91.10**	117.91***	139.04***

Coefficients are standardized betas from panel regression, Z-values are in parentheses.
* $p \leq .10$, ** $p \leq .05$, *** $p \leq .01$ (two-sided).
[a] Firm size is transformed to the logarithm form
[b] Industry effects (two-digit SIC code)
[c] Product type effects (i.e., intermediary vs. end-user products).