Is Geographic Diversity Good for International Young Ventures?

An Internal Social Capital Perspective

Runqian Liu

Submitted in partial fulfillment

of the requirements for the degree of

Master of Science in Management (Marketing)

Goodman School of Business, Brock University

St. Catharines, Ontario

©2018

Abstract

An increasing number of young ventures are internationalizing their business early in their life cycles and expanding their scope of international activities into dispersed geographic locations. Yet, the performance implication of geographic diversity strategy for international young ventures remains to be studied. This thesis aims to analyze the link between geographic diversity and international performance, as well as the mediating mechanism of internal social capital and contingent effects of organization structure. This study synthesizes the social capital and exchange perspective with the learning advantages of newness view. The hypotheses are tested with an empirical dataset collected in Zhejiang, China. The results indicate that young ventures going into diverse geographic regions accrue superior international market performance and international investment return, and the mediating mechanism of internal social capital is supported for two of the three dimensions. Furthermore, the indirect effects are moderated by the formality and role concentration within the venture. This study contributes to the theoretical development of the burgeoning field of international entrepreneurship.

Keywords: geographic diversity; learning advantages of newness; internal social capital; international young venture

Acknowledgement

First, I express my sincere gratitude to my MSc thesis supervisor, Professor Lianxi Zhou, for his patient and thoughtful guidance. He has been offering continuous help, for both my thesis research and my academia career. When I could not bide my time, he offered embrace and tolerance. When I had no idea of how to begin, he offered me enlightening ideas and chances of learning. When I took my first step, he offered me encouragement and shared my excitement. When I had questions, he never says no. He laid the concept of academic world for me and handed me a torch to explore the world of knowledge. Thank you, and I could not have imagined a better supervisor for my unforgettable life as a Brock MSc student.

In addition to my supervisor, I would like to acknowledge the support and insightful comments provided by my thesis committee members, Professor Sheng Deng and Professor Francis Sun. Dr. Deng has provided me with pragmatic thinking in my thesis research, and Dr. Sun has come up with ideas that have sharpened my thesis. Also, I would like to express my gratitude to Dr. Shaker Zahra from University of Minnesota for his examination of my thesis. His in-depth advice has escalated my research horizon. A special thank you to Dr. Wensong Bai from Uppsala University and Xiaotong Zhong from Zhejiang University.

All the faculty and staff at the Goodman School of Business share my thankfulness and happiness. They are so helpful, so motivational, and so kind to help me grow. I am grateful to every one of them.

Last but not least, I want to dedicate my achievement to my parents, Xuewen Liu and Wen Zhang, and my family. Although they are thousands of miles away, they have been encouraging me. They are so supportive that I am refueled every time I think of them. They gave me the world that I have been fighting for.

Table of Contents

Chapter 1 Introduction

Although incremental internationalization, or the Uppsala model, continues to be the norm for explaining the phenomenon of internationalization of ventures, early and rapid internationalization has captured growing interest in the academia (e.g., Oviatt & McDougall, 1994; Autio, Sapienza, & Almeida, 2000). Ventures expanding into foreign markets at younger age and with relatively smaller size are exhibiting a thought-provoking approach of internationalization. Diverse disciplines have incorporated perspective of entrepreneurship (e.g. McDougall & Oviatt, 1994), marketing (Knight & Cavusgil, 2004), and strategic management (e.g. Autio et al., 2000; Zahra, Ireland, & Hitt, 2000) to shed light on this phenomenon. Research at the intersection of these disciplines has been known as international entrepreneurship (hereinafter IE), and the last two decades have witnessed a blooming increase of theoretical and empirical inquiries into this emerging stream of literature.

Ventures that exhibit such unprecedented characteristics are referred to as “born globals” (BGs), or “international new ventures” (INVs) (Oviatt & McDougall, 1994; Knight & Cavusgil, 2004). This thesis does not parsimoniously emphasize the distinction between these two notions and inclusively brackets the target firms as international young ventures (Wu & Zhou, 2018). International young ventures are entrepreneurial start-ups that, from or near their founding, seek to derive a substantial proportion of their revenue from the sale of products in international markets and coordinate multiple value chain activities across borders (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994). By definition, international young ventures seek for a substantial portion of total revenue from the sale of outputs in multiple countries (Oviatt & McDougall, 1994). In the new competitive landscape, the ongoing globalization of markets is driving young ventures toward international diversification (Pisano, Ireland, Hitt, & Webb, 2007). International young ventures with entrepreneurial mindset are proactively searching for entrepreneurial opportunities outside developed and what are more familiar economies (Oviatt & McDougall, 2005; Zhou, 2007). The fundamental theme of previous research focuses on the temporal dimension, albeit the scope of operation has critical implications toward the growth and survival of international young ventures (Zahra et al., 2000; Patel, Criaco, & Naldi, 2016).

Rapid technological advancement and globalization have shifted startup internationalization from a “span of time” to a “span of boundary” approach (Han, 2006). International business scholars have sought to understand the relationship between the scope of internationalization and performance (see, Kirca, Hult, Deligonul, Perryy, & Cavusgil, 2012 for a review). Nevertheless, the results are mixed and inconsistent. Despite the inconclusive implications, this issue has not been well addressed for international young ventures (Sui & Baum, 2014). Characterized with entrepreneurial prowess, international young ventures pursue opportunities across borders in various, diverse foreign markets (Cavusgil & Knight, 2015). In practice, they prefer to internationalize at a high level of geographic diversity and explore multiple countries and regions through exporting (Almodóvar & Rugman, 2014; Knight & Liesch, 2016). Nevertheless, this preference may not withstand theoretical scrutiny.

To what extent will geographic diversity influence the performance outcomes of international young ventures is the key theme of my thesis. The performance implications of geographic diversity by international young ventures remain under-studied (Wu & Zhou, 2018; Ismail & Kuivalainen, 2015). Previous literature diverges regarding this intriguing question. On the one hand, ventures derive enriched learning opportunities and extended social network by expanding into various foreign markets (Zhou, Wu, & Luo, 2007; Ghoshal, 1987). On the other hand, diverse geographic scope poses risks to international young ventures. They face considerable uncertainty in their subsequent growth across different geographic and cultural contexts (Hashai, 2011; Patel et al., 2016), not to mention their inherent liability of newness and foreignness (Stinchcombe, 1965; Hymer, 1976).

This thesis proposes a theoretical framework based on organizational learning to explain the performance implications of the geographic diversity among international young ventures. Learning encompasses the key mechanism of growth for international young ventures (see De Clercq, Sapienza, Yavuz, & Zhou 2012 for a review). Yeoh (2004) argued that geographic diversity strategy involves a process of market, technological and social learning. Based on the assumption that "an organization learns if any of its units acquires knowledge that it recognizes as potentially useful to the organization" (Huber, 1991:89), this thesis adopts a behavioural approach and focuses on how managers in charge of different foreign markets integrate and exploit their idiosyncratic knowledge in pursuit of international opportunities. Autio et al. (2000) proffered a notion called Learning Advantages of Newness (hereinafter LAN), which constitutes the theoretical mechanism underlying the geographic diversity-performance relationship. According to LAN, size and age are not necessarily restriction, and they may serve as enabling rather than restraining factors (Autio et al., 2000; Liesch & Knight, 2016). Sapienza, Autio, George, and Zahra (2006) refined these advantages as structural, cognitive and political (positional) causes. Previous research indicates that LAN does not occur automatically and requires suitable organizational conditions (Zahra, Zheng, & Yu, 2017). Taking a social capital and exchange perspective would manifest the organizational knowledge and social environment issues in relation to LAN, because social capital can facilitate knowledge transfer and resource mobilization (Tsai & Ghoshal, 1998; Leana & van Buren, 1999). Particularly, by investigating the social capital embedded within the intrafirm network, this thesis distinguishes internal social capital from external one. Nahapiet and Ghoshal (1998) subdivided internal social capital into three dimensions: structural, relational and cognitive. This thesis proposes that social interaction (under structural dimension) provides information exchange benefit, intrafirm trust (under relational dimension) reduces political and monitoring costs, and shared vision (under cognitive dimension) offers solidarity for committed international efforts. Thus, internal social capital underpins the organizational learning from different markets and leads to remarkable international performance for young firms venturing into geographically diverse markets.

This thesis attempts to make the following contributions. First, this thesis empirically examines the effect of geographic diversity on international performance in the context of international young ventures. Even though this relationship has been studied extensively in the context of multinational enterprises (e.g. Hitt, Tihanyi, Miller, & Connelly, 2006), little is known in the case of international young ventures (Pisano et al., 2007; Patel et al., 2016; Wu & Zhou, 2018). The rationale of the geographic diversity-performance relationship for MNEs may not be applicable for international young ventures because of the structural and behavioural difference

(Knight and Liesch, 2016). The perspective of LAN is adopted in lieu. Second, this thesis investigates the mediating effect of internal social capital of the baseline relationship and incorporates social capital theory to explain the accrual of LAN. While external social capital has been studied thoroughly in the field of IE (e.g. Coviello & Munro, 1997; Johanson & Vahlne, 2009), literature remains silent regarding the role of internal social capital in young venture internationalization (Yli-Renko, Autio, & Tontti, 2002). In supplement of LAN, internal social capital is highlighted to support the underlying assumption of LAN and to facilitate the accrual of such learning advantages (Zahra et al., 2017; Renko, Kundu, Shrader, Carsrud, & Parhankangas, 2016). By applying a fine-grained taxonomy of internal social capital, this thesis investigates the nuances between different dimensions of internal social capital, and their respective effects on different measures of international performance. Third, this thesis also documents the moderating effect of organizational structure on the indirect effects. By investigating organizational contingencies, the efficacy of internal social capital is profoundly revealed. On balance, this thesis aims to contribute to the development of IE literature.

The rest of the thesis will be organized as follows. Chapter 2 reviews the literature in early and rapid internationalization, geographic diversity, LAN and social capital theory. Chapter 3 depicts the conceptual framework and hypothetical relationship between the relevant variables. Chapter 4 describes the methodology of the research. Chapter 5 analyzes the results following the method. Chapter 6 discusses the conclusion drawn from the results, along with theoretical contribution and managerial implications. Chapter 7 acknowledges some limitations of the research and propose potential future extension of this thesis.

Chapter 2 Literature Review

2.1 From Gradual Internationalization to Rapid Internationalization

The internationalization process of firms has been the subject of considerable research in the field of international business (Welch, Nummela & Liesch, 2016). The Uppsala model has provided an intellectual basis for internationalization literature, and the international new venture phenomenon has evoked further discussion (Johanson & Vahlne, 1977; Oviatt & McDougall, 1994). This section introduces the development of internationalization process theory, and the establishment of international entrepreneurship as a field of research. Earliness of internationalization and the comparison between born-globals and international new ventures are also discussed.

2.1.1 Uppsala Model and Challenges

Sune Carlson, one of the pioneers of internationalization, focused on how lack of knowledge will impede the conduct of business in a foreign market (Carlson, 1966). His answer to the question of how firms can handle uncertainty is that firms will gradually accumulate experience and information by trying and erring. This argument laid the theoretical foundation for the dominant model of internationalization—which was later dubbed Uppsala internationalization process model (Johanson & Vahlne, 1977, 1990). The interplay between the development of market knowledge and the increase of market commitment lies at the core of this evolutionary process. The managerial goal of internationalizing firm is to reduce risk and avoid uncertainty. Lack of knowledge about foreign markets becomes the major obstacle; decisions and implementations are made in an incremental and gradual manner due to uncertainty. These are the two basic premises recognized in the Uppsala model (Forsgren, 2002).

Uppsala model relies on behavioural theory and growth theory of the firm as theoretical foundation (Cyert & March, 1963; Penrose, 1959). Managers are risk-averse with imperfect information, and thus there is no assumption of rational optimization (Dunning, 1980). Johanson and Wiedersheim-Paul (1975) postulated that the market difference reflected in various factors (e.g. language, culture, industrial system) is called "psychic distance". Psychic distance is often associated with geographical distance and creates barriers for foreign market entry. Hence, a firm initially enters markets at a minimal psychic distance, and gradually expands to markets with greater psychic distance successively by gaining direct experiential knowledge over time.

Nevertheless, this conventional model has drawn criticism because failed to explain the "leapfrogging" internationalization activities (McDougall, Shane & Oviatt, 1994). There is empirical evidence that some small, young firms begin to export immediately after their foundation. This phenomenon first came to the attention of academia in the late 1980s (e.g. McDougall, 1989). These firms derived substantial proportions of sales revenue from the international market shortly after inception. They experienced accelerated rather than gradual internationalization process and contradicted the two basic premises of the Uppsala model. These emergent phenomena provoked the examination of, and challenges to the Uppsala School. The early works on early internationalization were dominated by Oviatt and McDougall (e.g., Oviatt & McDougall, 1994;' McDougall et al., 1994). These works were rooted in entrepreneurship, and their contribution lies in the extension of views of internationalization from firm level to individual entrepreneur level (McDougall et al., 1994).

2.1.2 Establishing the Field of International Entrepreneurship

Since then, research on early and rapid internationalization, including those from emerging markets, has gained momentum, enriching the body of literature of internationalization (e.g. McDougall & Oviatt, 2000). This stream of research not only has improved our understanding of international young ventures, but also has contributed to the supplement and renewal of the Uppsala model (Johanson & Vahlne, 2009). McDougall and Oviatt (2000) recognized this domain as "International Entrepreneurship," which describes "the process of creatively discovering and exploiting opportunities that lie outside a firm's domestic markets in pursuit of competitive advantage" (Cavusgil & Knight, 2015, p. 4). From then on, IE has emerged as an important area of inquiry for both entrepreneurship and international business academia (Jones, Coviello, & Tang, 2011).

Academia was sparked by the research in IE. *Entrepreneurship Theory and Practice* published a special issue on IE in 1996; McGill International Entrepreneurship Conference Series was launched by Richard Wright and Hamid Etemad in 1998; McDougall and Oviatt (2000) led a special research forum on IE, formally establishing the position of IE at the intersection of entrepreneurship and international business; Zahra et al. (2000) published award winning article in *Academy of Management Journal*, demonstrating the impact of IE on mainstream management literature. Also, the *Journal of International Entrepreneurship* was established in 2003 as a specific journal devoted to the development of IE domain. In 2005, Oviatt and McDougall were awarded the JIBS Decade Award for their 1994 publication. Special issues or forums on IE were published in a range of top-tier journals across the field of management (e.g. *Journal of International Business Studies*, 2005, 2018; *Journal of World Business*, 2007; *Strategic Entrepreneurship Journal*, 2009). The research in IE gradually garners attention and recognition

Deemed young and rapidly developing, IE field has accumulated a large body of knowledge on complex phenomena. After more than two decades of development, a plethora of publications have emerged. However, this area is still characterized by unsystematic research, unclear conceptual framework and non-cumulative progress (Knight & Liesch, 2016; Keupp & Gassmann, 2009). Some reviews still criticized research in IE as "fragmented, inconsistent, and lacking unifying paradigms" (Jones et al., 2011, p. 633). However, several key dimensions of internationalization process emerge as relevant and significant for IE research. The temporal dimension, or the earliness/speed of internationalization, is among the most important ones of them.

2.1.3 Temporal Dimension of Internationalization

The temporal dimension of internationalization has been the cornerstone of scholarship on international new ventures (Oviatt & McDougall, 1994) and born-global firms (Knight & Cavusgil, 2004). In studies looking at temporal dimension of internationalization, most of them has explored the time taken from firm inception to the initial internationalization (Hilmersson, Johanson, Lundberg & Papaioannou, 2017; Zhou, Wu and Barnes, 2012). The speed of *initial* foreign market entry (or entry timing), often referred to as the earliness of internationalization, has been a critical precondition of discussion of a number of early internationalization research (Zhou & Wu, 2014; De Clercq et al., 2012). Since the earliness of internationalization manifests the strategic intent that the venture proactively captures international opportunities early in the life cycles, this thesis adopts it as a premise of the behaviours of international young ventures (Chandra, Styles, & Wilkinson, 2009; Knight & Liesch, 2016).

In the recent sprouting stream of research on the speed of internationalization, some explicitly indicate that there is a clear distinction between earliness of internationalization and post-entry speed of international expansion (Hilmersson et al., 2017). Post-entry speed of internationalization has significant effect on firm's resource allocation, performance and survival (Hilmersson and Johanson, 2016; Sadeghi, Rose and Chetty, 2018). It determines the later cumulative stages of the various internationalization pattern and could be a double-edged sword for the venture.

Focusing on the timing of internationalization has been proven to be a thorny problem in the evolving IE literature (Zahra, 2005). First, the exact timing of the establishment of a firm is difficult to define. The preparation period before formal establishment (gestation period) may significantly influence the resources that an entrepreneur assembles, but it is rarely measured explicitly in empirical tests (Reynolds & Miller, 1992; Oviatt & McDougall, 1994). This may result in multiple interpretations of the findings. Second, the intensity of the initial international sales is largely ignored, so that domestic focused firms with accidental low-volume export may be characterized as international young venture inappropriately (Zhou & Wu, 2014). Third, in terms of the performance implications of earliness of internationalization, empirical examinations provide puzzling results. Relationship between earliness of internationalization and performance varies among studies (e.g. Autio et al., 2000; Brush, 1992). Although the issue of the timing of internationalization is complicated, it has been a linchpin in internationalization process studies for SMEs. The earliness of internationalization has been adopted as a premise, or background of discussion in this thesis.

2.1.4 Born-Globals or International New Ventures

Recent literature has heated debates upon the muddle of some terminologies in IE research (e.g. Coviello, McDougall & Oviatt, 2011; Coviello, 2015). The notions of born-globals and international new ventures lie in the central of discussion. Born-global firms are young firms that actively search for early export sales (Cavusgil & Knight, 2015). Oviatt and McDougall (1994) define INVs as firms that coordinate multiple value chain activities across borders. Based on the extant discussion, several observations could be drawn. First, INVs may incorporate value chain activities besides exporting, such as off-shore R&D, importing and production subsidiaries. Second, few born global firms are "born" global and have global focus right after inception. Most compete primarily in regional markets or in a relatively limited number of countries. Scholars have advocated using the term "regional" rather than "international" for an accurate description of the geographic scope of the young ventures' activities (Lopez, Kundu & Ciravegna, 2009).

The term born-global originally emphasizes initial entry through exporting (Knight & Cavusgil, 2004). Nevertheless, from the definition of international young ventures, this study also captures global value chain activities beyond exporting. According to the typology of Oviattt and McDougall (1994), these target firms fit into the "global start-up" category. Coviello (2015) advocates researchers to investigate the decisions and actions regarding international operations of the firm. Therefore, to distinguish from the firms that happen to export early, this thesis aims to highlight the firms that are truly born with the intention of serving multiple foreign markets early in their life cycles.

Although few firms are true born-globals, an eclectic practice of definition limits their internationalization process within three years of foundation (Knight & Cavusgil, 2004). As a matter of fact, the operationalization of these concepts varies, with internationalizing between inception and the first 6 years of operations being a commonly adopted approach (Zahra et al., 2000; Wu & Zhou, 2018). This thesis adopts this approach and sets the age of internationalization at six years old as a cut-off value.

2.1.5 Opportunity and Early Internationalization

Another important view of IE centers on "opportunity" (Reuber, Knight, Liesch & Zhou, 2018). In the field of entrepreneurship, the concept of entrepreneurial opportunity has become prominent since the publication of by Shane and Venkataraman (2000). Entrepreneurial opportunity echoes with Kirzner's (1973) viewpoint that opportunities exist in the environment and await to be discovered, and it stands for a situation in which the discovery of new means-ends relationships results in new resource combinations (Shane and Venkataraman, 2000; Zahra, 2005). In contrast, opportunities in internationalization tend to describe "possibilities for cross-border profit-seeking behavior" (Reuber et al., 2018, p. 396). International opportunities are often conceptualized as market opportunities in foreign market and are related to the entry of geographically new markets.

McDougall and Oviatt (2000) proposed that firms in seek of competitive advantage will discover and pursuit opportunities outside their domestic market. Furthermore, they alter and specify the definition of IE as "the discovery, enactment, evaluation, and exploitation of opportunities - across national borders - to create future goods and services" (Oviatt & McDougall 2005, p. 540). Opportunity has become an important theoretical construct in IE research (Jones et al., 2011; Keupp & Gassmann, 2009; Reuber et al., 2018).

Jones et al. (2011) summarized that the majority of studies in IE examine opportunity predominantly through the lens of internationalization of firms, rather than through the lens of entrepreneurship. In other words, IE literature depicts opportunity as an abstract concept (Mainela, Puhakka & Servais, 2014). For example, the identification of opportunity is seen as a stimulus and the first step of internationalization (Zhou, 2007). Hohenthal and colleagues (2003) proffered an early framework that opportunity is conceptualized as an unanticipated discovery to address problems. Johanson and Vahlne (2009) viewed opportunity as socially constructed knowledge derived from interaction. Entrepreneurship research, on the other hand, concerns the nature of opportunities and opportunity-related behaviours (e.g. Alvarez & Barney, 2007; Sarasvathy, 2001). IE scholars have advocated greater cross-fertilization with entrepreneurship research (Coviello & Jones, 2004), and some recent publications followed this vein and assessed opportunities as individual cognitive activity (e.g. Clark, Li & Shepherd, 2018).

Evolving with the entrepreneurship literature, which regards opportunity discovery and exploitation as inseparable components (Shane & Venkataraman, 2000; Eckhardt & Shane, 2003), IE literature is shifting its analysis toward international opportunity development in relationship networks (Johanson & Vahlne, 2009; Mainela et al., 2014). This thesis followed this logic. Although not explicitly theorized or measured, international opportunities are regarded as the target and outcome of geographic scope expansion for international young ventures.

2.2 Geographic Diversity

This thesis defines the geographic diversity of a venture's post-entry international expansion as the number of global regions (i.e., Europe, North America, Latin America, Asia, Australia, and Africa) and their strategic importance (Wu & Zhou, 2018; Tallman & Li, 1996; Zahra et al., 2000). This section introduces how geographic diversity strategy influences international young ventures by reviewing relevant research of both MNEs and SMEs, and lands on the behavioural/learning framework of geographic diversity.

Another critical dimension of the internationalization process, besides temporal dimension, pertains to the scope of the international operation. From early discussions of the concept of born-globals or INVs, it is noted that early internationalization occurs under conditions of asset parsimony, and exporting is primarily employed as the main foreign market entry mode. Cavusgil and Knight (2015) observed that early internationalizing firms rarely develop "global" footprints and export on a regional basis (e.g. Lopez et al., 2009). Nevertheless, the pursuit of opportunities across a number of countries presents an important thoroughfare for long-term growth and value creation among SMEs (Dai, Maksimov, Gilbert & Fernhaber, 2014). The relationship between the geographic diversity of internationalization and the subsequent international performance for international young ventures remain under-examined (Jantunen, Puumalainen, Saarenketo, & Kyläheiko, 2005; Wu & Zhou, 2018).

2.2.1 Geographic Diversity and Multinational Enterprises

There is a large body of studies addressing the performance implications of geographic diversity in the settings of large multinational enterprises (for a review, see Hitt et al., 2006). The findings are still 'mixed' (Capar & Kotabe, 2003) and 'inconsistent' (Ruigrok & Wagner, 2003). Past research regarding the geographic diversity of internationalization on a firm's performance has resulted in a vast body of literature. While some studies show a positive effect (e.g., Bausch & Krist, 2007), others show a negative (e.g., Collins, 1990), U-shaped (e.g., Lu & Beamish, 2001), inverted U-shaped (e.g., Hitt, Hoskisson & Kim, 1997), or S-shaped (e.g., Contractor, Kundu & Hsu, 2003; Lu & Beamish, 2004) effect.

Several theoretical perspectives have been applied to frame this research question for multinational firms, including internalization theory (e.g. Verbeke, Li & Goerzen, 2009), resource-based theory (Hitt et al., 1997), as well as financial portfolio diversification theory (Kim, Hwang &d Burgers, 1993). Internalization theory suggests that the lack of technological knowledge, brands and organizational advantages in inefficient external market encourages firms to exploit these assets in geographically diversified markets using internal markets rather than external ones. The growth of MNEs can be attributed to these firms' abilities to internalize intermediate input markets, i.e., to transfer, organize and control assets and higher order capabilities across boundaries, yet within the firm, rather than through external markets (Buckley & Casson, 1998). In this vein, according to the resource-based view, multinational firms seek to use their unique internal resources and capabilities to exploit market imperfections from various geographical locations (Hitt et al., 1997). To sum up the benefit of geographic diversity of MNEs, this thesis concludes that: (1) it provides greater opportunities to achieve optimal economies of scale by standardizing products, rationalizing production and amortizing R&D investment or marketing costs (Franko, 1989); (2) it provides a flexible multinational network that could potentially increase the firm's bargaining power (Hitt et al., 1997); (3) and provides frequent exposure to new markets that would motivate learning (Kochhar & Hitt, 1995). The above-mentioned perspectives are largely based on the resource-based view and suggest that MNEs differ on the basis of their internal resources and capabilities (cf. Tallman and Li, 1996). On the other hand, according to transaction cost economics in industrial organization models, coordination cost between different units arises when MNEs pursue a greater level of international diversification (Jones and Hill, 1988). Geographic diversity challenges current staffing, internal management systems and external business networks (Lu and Beamish, 2004). Although new subsidiaries can perform experiential learning (i.e., learning by doing) and vicarious learning (i.e., learning from local competitors), the cost of transaction and coordination increases as the geographic diversity increases (Huber, 1991; Jones & Hill, 1988). With the increase of the extent of geographic diversity, the costs of international diversification will eventually exceed the benefits provided by the economics achieved. Thus, there exists a certain equilibrium point where the coordination cost required equals the benefits derived from sharing resources and exploiting external market opportunities. This leads to an inverted U-shaped curvilinear relationship (Hitt et al., 1997).

Kim and colleagues (1993) provided another theoretical perspective from risk-return trade-off by arguing that geographic diversity is a way to simultaneously increase returns and reduce risk. Other than the benefits, geographic diversity provides the MNE with multiple national market bases from which it can retaliate against aggressive competitors (Hamel and Prahalad, 1985); it allows the MNE to minimize the effect of adverse changes in one country by providing options to more readily shift to favourable national markets; it releases the firm from supply and demand fluctuations and smoothens the peaks and troughs of the revenue stream.

In contrast to the multinational large firms that pursue an incremental internationalization strategy, young and small firms that go international rapidly exhibit less risk aversion and deviate from the staged model (Mathews & Zander, 2007). Those young firms are prepared to get "out of the gate" at inception in order to exploit opportunities on a global scale within a limited window of opportunity (Oviatt & McDougall, 2005; Knight & Cavusgil, 2004). International young ventures differ from MNEs substantially in terms of resources, capabilities and capital; governance structures; manufacturing and marketing skills; distribution channels and management practices (Beamish and Lee, 2003). Thus, when studying the phenomenon of young international ventures, scholars find it less realistic and meaningful to apply the MNC theory (Almodóvar & Rugman, 2014; Patel et al., 2016). The theories and rationales underpinning the explanation of the geographic diversity-performance relationship for MNEs might not withstand scrutiny, and further investigation is required (Patel et al., 2016).

2.2.2 Geographic Diversity and International Young Venture

Managing across global markets is a considerably immense undertaking for international young ventures. Some pervious literature has addressed the performance implication of geographic diversity in the context of international young ventures. Particularly, from the learning perspective, Hilmersson (2014) emphasized the key role of experiential knowledge when expanding into multiple geographic regions. As young ventures enter foreign markets in diverse geographic locations, they are exposed to a number of markets, ideas and institutional environments, which can potentially enrich their experience base (Eriksson, Johanson, Majkgård, & Sharma, 1997).

Managers with experience in a variety of environments are more productive than those without such experience (Walsh, 1995). This obtained experiential knowledge base could play a positive role in new market entry (Preece, Miles & Baetz, 1999) and contribute to the inimitable competitive advantages (Oviatt & McDougall, 2005), it being properly leveraged. Zahra et al. (2000) purported the benefit on technological learning of geographic diversity. As different regions vary in the phases of technological development and in the level of technological competition, ventures are induced to acquire technological knowledge from local competitors (Kogut & Singh, 1988). They have a wide range of organizations to imitate (Barkema & Vermeulen, 1998). The depth, breadth and speed of technological learning would be enhanced. The innovation base, or the ability to upgrade existing products and redesign its products, is enhanced, leading to superior performance (Leonard-Barton, 1995). Meanwhile, operating in new foreign markets may trigger failures initially, but it also offers incentives for search of new solutions of technical problems (Simon, 1955; Levitt & March, 1988).

Other than learning, the literature converges on economic arguments regarding how geographic scope influences performance in the context of both MNEs and international young ventures (Han, 2006). Tallman and Li (1996) suggest that firms could leverage strategic resources and diversify risks. Ventures have the opportunity to gain greater return on intangible resources because they can conduct arbitrage operations that seek less expensive inputs and less price-sensitive markets (Kim et al., 1993). Qian and colleagues (2010) suggested that ventures could accumulate resource and amortize costs by exploiting opportunities in disperse markets, stabilizing the earnings of the venture. Last but not least, there is network benefit of a firm's expansion into diverse markets. Networks of relationships enable the critical access for international young ventures to resources they would be unable to develop themselves (Zahra, 2005; Coviello & Cox, 2006) and provide marketing, technological and competitive information that helps the firm to survive (Zahra et al., 2000). By expanding into different markets, firms become connected with various important constituencies, along with important economic resources and information.

Every coin has two sides. Literature has reached a consensus that expansion of geographic scope is often perceived as risky by managers of international young ventures (Haishai, 2011). There are mainly two sources of risk. On the one hand, penetrating an unfamiliar foreign market would intensify the cultural, political, and economic risks (Shrader, Oviatt & McDougall, 2000). Hymer (1976) revealed the additional costs when a firm operates in overseas markets due to the spatial distance and its unfamiliarity with local environments. Local firms have better access to information about their economy, culture, language, etc., than their foreign competitors. The likelihood of making mistakes and the cost or impair related to those mistakes would be higher if the venture operates in foreign market (Buckley & Casson, 1998). This poses more difficulties for outsider firms to conduct their business effectively and gain profit. This is framed as the "liability of foreignness" (Hymer, 1976). Specifically, liability of foreignness can be summarized as follows: (1) internal coordination costs between distant functional units, (2) firm-specific costs based on unfamiliarity with and lack of roots in local environment and culture, (3) costs resulting from host country environment, such as lack of legitimacy and information networks, and (4) economic nationalism among host country stakeholders.

On the other hand, the survival threat may be more severe for young ventures because they are often subject to the “liability of newness” (Stinchcombe, 1965; Mudambi & Zahra, 2007). Resources constraint, lack of business experience and limited organizational capabilities all contribute to this liability of newness (Stinchcombe, 1965). When a new venture invests in foreign markets, it has to contend against challenges, such as new infrastructure construction, new staff recruitment and employee expatriation. These challenges could be lethal for young venture that is vulnerable toward failure due to its deficiency in resources. A limited resources base could limit the possibility of pursuing arbitrage opportunities and constrain the positioning compared with local, established firm. Together, these liabilities incur a high rate of mortality among early internationalizing firms (Sapienza et al., 2006).

2.2.3 The Behavioural View of Geographic Diversity

An increasing number of researchers have adopted a behavioural perspective on international expansion. This perspective looks into the interactions between units within an MNE, or between managers within an international young venture (Barkema & Vermeulen, 1998). A set of benefits emerge from these interactions. For example, Kogut and Zander (1992) shed light on the importance of knowledge transfer across borders within the multinational companies. Barkema and Vermeulen (1998) argued that the local adaptation in foreign markets leads to novel practices in products, marketing and organizational practices for the, and these innovations may subsequently spread to the whole venture. Zahra et al. (2000) suggested that ventures should pool and share the knowledge acquired from different markets and integrate this knowledge to build additional value-creating skills. To sum up, learning from foreign subsidiaries and the transfer of intangible assets or tacit knowledge overseas toward headquarters are the two critical approaches that imply considerable gains.

Nevertheless, the lens of behavioural perspective also brings the complexity of geographic diversity to light. In fact, international young ventures are also constrained by their capacity to handle complexities and absorb the knowledge during their expansion to diverse markets. The concept of “time compression diseconomies” by Dierickx and Cool (1989) suggests the fundamental mechanism of diminishing returns when the pace of processes increases, ceteris paribus. Vermeulen and Barkema (2002) applied this concept to internationalizing firms, and found that ventures could enter multiple markets at a certain speed or pace, but the amount of knowledge they could absorb is constrained in a short period of time (Cohen & Levinthal, 1990). It is ideal that the knowledge and experience could be completely integrated into the venture, but managers in charge of each market are faced with their bounded rationality (Simon, 1955) and cognitive scope (Sutcliffe, 1994). They may have difficulty in absorbing the experience and putting it into commercial ends within too short a time interval. Thus, to reap the benefits of operating in various foreign markets, the top management team is required to absorb the knowledge carefully, and, as a result, this process may be subject to diseconomies of time compression, assuming the firm has rapid post-entry expansion speed.

2.2.4 Geographic Diversification or Concentration?

Contrary to the practice of expanding into diverse markets, some international young ventures adopt a market concentration strategy (Ayal & Zif, 1979). Geographic concentration describes a strategy of securing a large market share in a few key markets. In fact, recent research has shown evidence of more concentrated regional activities versus a broader multinational spread in MNE studies. For example, Rugman and Verbeke (2004) point out that the largest MNEs are not globally diversified in terms of their international sales and tend to draw disproportionately more sales from their home regions. Geographic concentration strategy fits into practical survival demand and behaviour of international young ventures, as they have to consider both risk and returns in terms of the feasibility of expansion (Patel et al., 2016). There exists a significant discussion regarding the appropriate level of geographic diversity (Tallman & Li, 1996).

Regions could be defined in various ways, and this thesis adopts a geographic conceptualization of a region based on continents and physical proximity of the countries (Rugman and Verbeke, 2004). Focusing on certain regions could have significant opportunity costs but could also help the venture gain favourable competitive standings in a single market. Conversely, taking an aggressive approach toward multiple regions could spread the limited resources of an international young venture too thin, and lead to failure (Patel et al., 2016). Under this premise, regional diversification allows the firm to more readily build, integrate and reconfigure different resources and capabilities that are located in geographically close countries (Goerzen & Beamish, 2003; Qian, Khoury, Peng & Qian, 2010). Ventures focusing on markets within their home region are more likely to possess or attain knowledge about local institutions, markets and entry modes (Carney, Gedajlovic & Yang, 2009). Furthermore, cost economies and efficiency benefits are more likely to be achieved by focusing on regional markets, because home region similarities and spatial proximities could reduce the managerial costs of coordination, transportation, communication, distribution and knowledge-sharing (Ruigrok & Wagner, 2003). Although intra-regional diversification strategy enjoys certain advantages, this thesis emphasizes the incomparable learning opportunities of adopting an inter-regional diversification strategy and puts aside the difference between the two strategies.

2.3 Learning Advantages of Newness

There has been a consensus that learning and knowledge play a crucial role in the field of IE (Knight & Liesch, 2016). The following section introduces the process of how international young ventures learn during their early internationalization, and the important theoretical perspective of learning advantages among them.

2.3.1 Learning in Early Internationalization

2.3.1.1 Overview of learning and knowledge in early internationalization literature

IE literature has viewed the role of knowledge and learning as a common thread of research (See De Clercq et al., 2012 for a review) Organizational knowledge has been the locus of discussion about the internationalization of firms. For the incremental internationalization approach, organizational knowledge, or lack thereof, regulates the foreign market entry of the venture by addressing the uncertainty of international markets (Johansan & Vahlne, 1977). Rapid internationalization approach, in contrast, describes organizational knowledge as a platform on which ventures can promptly pursue growth opportunities in international markets (Oviatt and McDougall, 1994). In summary, the pivotal role of organizational knowledge has been demonstrated in the field of IE.

Tsang (2002) argues that an international strategy is a learning process. Learning is "the process within the organization by which knowledge about action-outcome relationships and the effect of the environment on these relationships is developed" (Duncan & Weiss, 1979, p. 84). Organizational learning enables firms to adapt to the changing international environments and deal with new market challenges (Fiol & Lyles, 1985). In turn, exposure to new foreign markets, competitors, ideas and cultures increases learning opportunities (Luo, 2002). Thus, internationalizing and learning intertwine with each other.

2.3.1.2 Organizational learning of international young ventures

Eriksson and colleagues (1997) identified two learning phases in internationalization. In the first phase, an international young venture has to develop structures and routines that are compatible with its internal resources. By gradually learning about both its capabilities and the new foreign markets, the venture establishes appropriate routines (Barkema & Vermuelen, 1998). Meanwhile, the venture also builds its cognitive framework to absorb relevant new knowledge, guiding further knowledge search in foreign markets. In the second phase, the venture durably and repetitively interacts with foreign stakeholders in an effort to gain foreign market knowledge (Cohen & Levinthal, 1990). Resembles the knowledge acquisitions process under Huber's (1991) organizational framework the first phase, in which knowledge is obtained from either internal or external sources. Here, this thesis assumes that managers obtain their unique and valuable knowledge from different geographically distant markets. The second phase resembles the information distribution and interpretation process: information from different sources is shared, leading to new understanding; distributed information converges to commonly understood interpretations. Under this framework, several organization constraints and advantages could be observed within the behavioural/learning view of geographic diversity.

First, during information distribution process, the difference between individual learning and organizational learning should be noticed. Managers receive a wide range of information from geographic diversity strategy, but how individual learning turns into organizational learning depends on knowledge sharing between managers (Cohen & Levinthal, 1990). Only through communication will individual insights become accessible to the whole venture. Thus, the flow of knowledge is regarded as a regulator of the learning capacity of a venture (Brown & Duguid, 2001). MNEs with a great number of independent divisions and complicated structure could be hampered by information overload and lack of interrelations (Jones & Hill, 1988; Barkema & Vermeulen, 1998). International young ventures with "a state of flux" more readily foster mutual learning between managers and functional units (Renko et al., 2016).

Second, during information interpretation, when a group of individuals is brought together, some kind of collective knowledge structure is likely to emerge (Walsh, 1995). This knowledge structure frames the interpretation toward a certain piece of information and makes the information more commonly understandable for everyone (Daft & Weick, 1984). Through a formal organizational experiment or informal post-hoc analyses, the venture will decide whether this rule fits the operation of the venture or not (Huber, 1991). Nevertheless, proprietary and political concerns tend to inhibit the results of such an experiment (Carter, 1971). Such interpretation is a process requiring consensus among organizational members. How easily managers can reach an agreement influences the buildup of the knowledge structure or cognitive framework.

In summary, learning is dynamic and involves making sense out of past histories and linked to current and past knowledge, and that knowledge is embedded in organizational routines, administrative structure or theory in use (Argyris & Schön, 1978). Nevertheless, international young ventures are presumed to have fewer previous routines, structures or knowledge bases compared to MNEs (Sapienza et al., 2006). Notably, this assumption does not suggest that learning is irrelevant for international young ventures; conversely, it is the learning advantages that distinguish international young ventures from MNEs (Autio et al., 2000). Next, the details of such learning advantages are introduced.

2.3.2 Introduction to LAN

In the IE literature, there has been a robust stream of debate concerning whether it will be advantageous in terms of learning for new ventures to enter foreign markets early in their life cycle (Cavusgil & Knight, 2015; Mudambi & Zahra, 2007). This notion of LAN is first introduced in the seminal work of Autio, Sapienza and Almeida (2000). Autio et al. (2000) conducted an empirical study of 59 Finnish firms in electronics industry and found that the earlier a firm enters international markets, the more burgeoning its international growth. LAN typically addresses the enabling factors that help the international young ventures gain new foreign knowledge quickly. This hypothesis provides us with possible explanations for why young ventures can succeed abroad at an early age with rapid pace of internationalization, compared with more established ventures. LAN also provides the academia with a discussion locus of the potential advantages for international young ventures.

Younger firms have a higher tendency of adopting new approaches to internationalize than older firms. They are less hesitant to adapt toward the market and competition and do not suffer from the inertial forces that hamper the learning process. Particularly, Autio and colleagues (2000) proffered that learning flexibilities stem from fewer home-based routines to unlearn, fewer relationships and obligations with domestic partners, and less political power grounded for domestic activities. Sapienza et al. (2006) further refined and added up the nuance of the advantage of not having a specialized role and hierarchical structures like older firms. These causes are reviewed in detail below.

2.3.3 The Causes of LAN

2.3.3.1 Structural cause of LAN

The structural advantage of LAN posits that early internationalizing firms have fewer routines to unlearn before learning new routines (Autio et al., 2000). According to organizational learning theory, accumulating knowledge close to a preexisting domain is more efficient than acquiring knowledge from a brand-new domain, so that ventures tend to learn deeper into the areas with which they have been familiar (Cohen & Levinthal, 1990). A firm that has enduring experience in home-based activities tends to accumulate new knowledge related to domestic operations. As firm grows older in its domestic market, the existing approaches of domestic operation would rule out the integration of new knowledge, and unlearning embedded routines becomes more difficult and costly. New knowledge gained from international activities often times differs from currently possessed domestic knowledge and conflicts with existing operations and embedded mental models (Barkema & Vermeulen, 1998). Firms can get locked in certain types of knowledge. This "competency trap" leads to the development of "dominant logic", which guides strategic choices toward domestic development (Bettis & Prahalad, 1995). Dominant logic constrains what firms could see and how they see it, limiting their ability to recognize opportunities lying outside a narrow set and impede the firm from exploiting new opportunities (Knight & Cavusgil, 2004). Compared to established firms, international young ventures have lower possibilities to be isolated from limited types of knowledge, and could regard international market knowledge and opportunities with an opened mind (Zhou, Barnes, & Lu, 2010). Furthermore, fewer dogmatic routines are likely to allow the venture to adapt its operations and resources to meet the requirements of international expansion in response to the unfamiliar and uncertain foreign markets (Autio et al., 2000; McDougall et al., 1994).

2.3.3.2 Cognitive cause of LAN

The cognitive advantage refers to the notion that newly established ventures have overlapping and undifferentiated managerial roles, along with less hierarchical structures than older ventures (Sapienza et al., 2006). Flat organizational structure facilitates communication, sharing and learning between the members in the firm. Managers could understand each other and communicate more frequently and effectively (De Clercq et al., 2012). As the firm matures, managerial roles calcify and the hierarchical structure comes into place. Thus, the knowledge specialty increases, and the knowledge is "stored in increasingly specialized bins" (Sapienza et al., 2006, p. 922). Managers tend to have less knowledge overlap, diminishing the vital medium of effective knowledge sharing (Cohen & Levinthal, 1990; Yli-Renko et al., 2002). Moreover, the propensity of new knowledge seeking behaviour will decrease with specified organizational roles. Thus, international young ventures will benefit from their initial structures.

2.3.3.3 Political cause of LAN

The political advantage proposes that there is less political power grounded in domestic activities within an international young venture. It highlights the allegiance and obedience toward internationalization (Autio et al, 2000). As firms grow older in the domestic realm, managers would devote more time and energy building their "domestic power base". The more time and energy managers devote to home-based activities, the more reluctant they are to shift their focus to foreign activities. Managers would set up political barriers against the full-thrust toward foreign markets. On the one hand, established domestic firms are less likely to view their outset as international. A firm's early exposure to international environment would have an imprinting effect that have lasting consequences (Milanov & Fernhaber, 2009). Early internationalizing firms tend to embrace their international identity and become less risk averse when evaluating international opportunities (Eriksson et al., 1997). Older firms have a greater tendency to becloud the benefit of internationalization and lean toward negative sides of international opportunities. On the other hand, with more managers entrenched in domestic operations, the managers competing for scarce resources would reserve their knowledge in order not to strengthen their counterparts (Luo, Slotegraaf, & Pan, 2006). Conversely, a firm that enters the international market early in its age would enjoy the political advantages of possessing an international identity and absence of entrenched managers in a domestic market (Sapienza et al., 2006; Zhou & Wu, 2014).

2.3.3.4 Positional cause of LAN

The positional advantage depicts the situation where young ventures have fewer or no embedded ties with domestic business partners. This causes a focus on the potential external influence of a firm's internationalization. Established firms devoted time and resources to build up relationships and reciprocal loyalties with local business partners, i.e., suppliers and customers. Their reciprocal ties may be affected when the firm decides to go international because expanding to foreign markets brings uncertain outcomes to the partners of interest (Zahra et al., 2017). Partners may set up barriers to this move to help secure of their own interest. With fewer domestic customers or suppliers, young ventures encounter fewer obstacles from their partners, and can pursue growth opportunities.

2.3.4 LAN and Organizational Issues

In principle, LAN starts an important theoretical discussion for the growth advantages of international young ventures. Nevertheless, it does not explain the processes of how such advantages occur in detail (Autio et al., 2000; Sapienza et al., 2005). In other words, LAN has remained as black box (De Clercq et al., 2012). Previous literature pertinent to LAN typically rests on several assumptions that are open to debate. As the concept of LAN is being widely discussed, a set of boundary conditions have permeated the literature regarding the internationalization process, organizational conditions, social environments, and resource endowments (Zahra et al., 2017). Zahra et al. (2017) theoretically claimed the contingencies influencing LAN in the aspects of market similarity, strategic intent and resource endowment. These arguments advocate a further investigation toward the driving mechanism of LAN, and the relevant ones are reviewed below.

2.3.4.1 Learning intent

Learning from internationalization is, to a certain extent, a "semiautomatic accumulation of experience" (Zahra et al., 2017). Although it is possible that early expansion into international markets would help establish self-reinforcing patterns of learning (Autio et al., 2000), this view ignores the critical strategic intent of the venture itself. International young ventures are characterized as entrepreneurial and often undertake entrepreneurial-based learning (Zhou et al., 2010). When an international young venture chooses to expose itself to multiple different markets, it has to bear considerable survival risks for the enhanced learning opportunity. This vital learning intention reflects such valuable entrepreneurial-based learning, a process that requires proactive, deliberate and sustained efforts of knowledge acquisition and exploitation (Zollo & Winter, 2002). Zhou and colleagues (2010) assert that the entrepreneurial proclivity of international young ventures indicates a higher level of LAN-related performance. Therefore, the learning intent, expressed through the geographic diversity strategy, is relevant to the occurrence of LAN among international young ventures adopting such strategy.

2.3.4.2 Exploratory or exploitative learning?

Another important issue contrasts two seemingly ambivalent views. LAN proposes that early internationalization of a venture is conducive to learning in order to fill in its knowledge gap (Sapienza et al., 2006), whereas the organizational learning literature highlights the importance of historic and path-dependent learning (Levitt & March, 1988; Huber, 1991). Given the contingent nature of LAN, the literature identifies that an international environment where exploratory rather than exploitative learning is required better instigates the LAN effect (March, 1991; Zahra et al., 2017). When ventures expand into diverse geographic locations, firms face unique, unfamiliar and new contexts that need exploration (Mathews & Zander, 2007). The firm has to analyze the market and competition for more fine-grained knowledge in designing and marketing products better fit to foreign customers' needs (Kogut & Singh, 1988). Sometimes the firm also improvises as there is no previous trajectory to refer to (Prashantham & Floyd, 2012). In this case, previous home-based knowledge, experience and routines may be hardly applicable. The venture could neither directly apply its previous experience in those international markets (Zahra et al., 2017) nor absorb new knowledge effectively with its current knowledge base (Cohen & Levinthal, 1990). Therefore, it is assumed that in the context that international young ventures go for multiple idiosyncratic markets, the exact learning advantages would emanate.

2.3.4.3 Organizational cost

New knowledge is integrated into routines by transferring market-specific knowledge into organization-level knowledge (Schulz, 2001). When managers are trying to integrate diverse knowledge from different foreign markets, time and effort is required to settle the course of action (routine) and divisions of costs and benefits. Managers evaluate the relevance of knowledge to their work whilst they incorporate it into daily practice. Although international young ventures are presumed not to have excessive routines that may potentially rule out the new ones, there is no guarantee that new incoming routines will work at first trial. Organizational experimentations are required, and the associated time and cost should not be overlooked (Zollo & Winter, 2002). Compared with MNEs, international young ventures with thin resources base could be vulnerable when faced with such an experiment (Sapienza et al., 2006). Experimentation takes time to bear fruit, but international young ventures may not have sufficient resources to hang on to before harvesting the learning advantages associated with their experimentation (Mitchell, Shaver, & Yeung, 1994). How to bring down the inevitable organizational cost of such an experiment may become a critical question among the top management team (Sapienza et al., 2006).

2.3.4.4 Constructive or competitive conflicts

In relation to the cognitive cause, there is an assumption that international young venture has flat organizational structure (Sapienza et al., 2006). This virtue decreases the occurrence of conflict among managers. Nonetheless, Zahra et al. (2017) mentioned that political conflict may facilitate learning by forcing managers to contemplate on the pros and cons for the resultant decision. The process of negotiation itself could promote organizational learning (Eisenhardt, 1989). It holds true for international young ventures that conflicts between managers could hardly be avoided due to their diverse operations. Group decision-making literature suggests two different conflict-handling orientations, constructive and competitive conflict (Thomas & Schmidt, 1976). Constructive conflict is treated as discussion, bargaining, debate, or a win-win approach toward the best way to perform the current task. This suggests an effective management of difference between managers and unlocks enhanced decision-making outcomes. This type of conflict requires openness for a variety of ideas and opinions, full sharing of information, and careful critiques of alternatives (Tjosvold & Deemer, 1980; Kirchmeyer & Cohen, 1992). Conversely, competitive conflict is characterized by win-lose struggles, and parties insist on their claims. Managers involved in such conflicts feel dislike and suspicion about each other. Competitive conflict often times discourages information sharing and exploration, pushes managers apart and exerts negative influence on their relationships. Thus, there is an advocacy of constructive conflict between managers of international young ventures, regardless of the organizational structure.

In summary, effective and efficient resource deployment is required for the accrual of LAN. Learning intention, reflected through geographic diversity strategy, implies resource allocation and an attention shift toward foreign markets (Ocasio, 1997; De Clercq & Zhou, 2014). Appropriate social environment management within the venture is also advocated. The cost from organizational experiments stems from the inefficiency and ineffectiveness of decisions that stagnate growth. Constructive conflicts benefit the decision outcome and relationships between managers, and it requires information sharing and objective critiques. The following section links social capital toward these requirements of LAN.

2.4 Social Capital Theory

Social capital has been identified to play a pivotal role in resource mobilization and organizational learning (Nahapiet & Ghoshal, 1998). The concept has been applied in a wide range of organization studies. According to current taxonomies, this thesis provides a fine-grained view of social capital by reviewing three dimensions of internal social capital, and how they exert influence on the learning of international young ventures.

2.4.1 Overview of Social Capital in Internationalization

The notion of social capital pertains to the entrepreneurs' relationship with others, and the norms which govern these relationships in previous entrepreneurship literature (Coleman, 1988). Although social capital has numerous definitions from different streams of studies, the core intuition emphasizes the value of social capital as a distinct set of resources for the actor within a network and the relational contents of the ties (Maurer, Bartsch, & Ebers, 2011; Adler & Kwon, 2002). In a boarder sense, this thesis not only embraces the description of actor firm's social relations, but also taps on the resources accessed via these social relations (Maurer et al., 2011; Tsai and Ghoshal, 1998). Therefore, this thesis follows Bourdieu's (1986) definition: "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (p. 248).

In IE, social capital has been considered instrumental for the growth of international young ventures (Coviello & Cox, 2006). Social capital is implicitly mentioned in the studies of network of international young ventures, and how networks and collaborative relationships help young ventures internationalize (e.g. Coviello and Munro, 1997). Social capital provides networks that facilitate the identification and absorption of new information that is not available otherwise (Peng & Zhou, 2005), and assists the ventures with developing recognition and capturing international opportunities (Chandra et al., 2009). IE scholars have advocated the integration of social capital theory with the knowledge-based conceptualization of internationalization (Johanson & Vahlne, 2009). Specifically, from an organizational learning and capability building view, the capability of external knowledge acquisition and new knowledge creation together enable firms to outperform their competitors in rivalry environments (Grant, 1996). The ability of managers to exchange and combine knowledge is crucial toward the building of learning advantages and value creation (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998). This ability results from the characteristics of social environment within a firm, i.e. firm-level social capital, which facilitate such an exchange and combination process (Nahapiet & Ghoshal, 1998; Kogut & Zander, 1992).

2.4.2 Taxonomies of Social Capital

A taxonomy of social capital distinguishes external and internal social capital (Adler & Kwon, 2002). Typically, the internal social capital involves the relationships between individuals or groups working in the organization vis-à-vis external third parties outside the organization. (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998; Yli-Renko et al., 2002). Following this typology, whether international young ventures draw their social capital from network structures existing externally or within their focal collectivity distinguishes these two types of social capital (Payne, Moore, Griffis, & Autry, 2009). On the one hand, the external viewpoint is typically sponsored by the network theorists. Burt's (1982) representative "structural hole" theory posits that an actor would benefit from brokering and spanning of structural holes within a network. Firms would benefit from the privileged access to knowledge and information in the network outside the collective (Bourdieu, 1986; Granovetter, 1983; Inkpen & Tsang, 2005). On the other hand, the internal view elucidates that it is "some internal aspects" that create social capital and benefit the collective (Coleman, 1988). Social capital lies in the internal ties within an organization---in the linkages among individuals or groups (Coleman, 1990). The merit for the overall organization is examined at a collective level (Leana & Van Buren, 1999).

Nuance exists in the scope of benefit of social capital (Inkpen & Tsang, 2005). Social network theories emphasize personal benefit such as career promotion and opportunity access (e.g. Burt, 1997). As individuals directly enjoy the merit of social capital and sole possession, this viewpoint is characterized as a private-good view. In contrast, other scholars conceptualize social capital as a public-good benefiting not only the creator of it but also other group members as a whole. Benefits occur directly for the whole organization and indirectly for each individual. There is no absolute border between the two diverging views, and this thesis embraces both (Adler & Kwon, 2002; Inkpen & Tsang, 2005).

Another widely accepted taxonomy of social capital was proposed by Nahapiet and Ghoshal (1998) in their seminal work. They identified three dimensions of internal social capital: structural, relational and cognitive. The structural dimension of social capital manifests the actor's position within the network. The relational dimension of social capital refers to assets that are rooted in the relationship with other actors. And the cognitive dimension of social capital is embodied in the shared code, language and vision. This thesis combines both taxonomies to investigate some fine-grained attributes and effects of social capital.

2.4.3 Internal Social Capital

Internal social capital is defined in terms of both the structure and the content of relationships among actors within a system (Adler & Kwon, 2002; Leana & Pil, 2006). At the firm level, internal social capital describes both the aggregate form and nature of relationships among managers (Coleman, 1990; Leana & Van Buren, 1999). Specifically, this thesis follows the conceptualization from Yli-Renko and colleagues (2002) and defines internal social capital as the extent and quality of relationships between managers in an international young venture.

Internal social capital benefits the firm in both distributing external resources (Hitt, Lee, & Yucel, 2002) and enhancing internal coordination (Sirmon, Hitt, & Ireland, 2007). On the one hand, internal social capital increases the availability of resources (i.e. technology, key information, financial capital) for the whole organizational through the mechanism of internal resource exchange and sharing (Tsai & Ghoshal, 1998). On the other hand, internal social capital facilitate the coordination of activities across various functional groups, processes of effective decision making, and the implementation of the decisions (Hitt et al., 2002).

In the field of IE, yet, social capital is mostly pertinent to the relationships and embedded resources with external stakeholders, such as customers, suppliers, financial constituencies and the government (De Clercq, Dimov, & Thongpapanl, 2013). The application of internal social capital in IE has been almost nonexistent except for a few precedents (Yli-Renko et al., 2002; Tasavori, Zaefarian, & Eng, 2018). From a knowledge-based view, Yli-Renko and colleagues (2002) suggested that internal social capital benefits the knowledge intensity of young ventures. From a dynamic capability perspective, Tasavori and colleagues (2018) highlight that internal social capital of a family business exerts internal processes and routines to better utilize intra-firm resources for international expansion (Eisenhardt & Martin, 2000). Meanwhile, although to some degree the literature has discussed how internal social capital enhances the learning and performance outcome in domestic context, very little is known about the uses of internal social capital in small, young venture internationalization, especially with a diverse market portfolio. Next, the integration of these two frameworks is introduced.

2.4.4 Three-dimension View of Internal Social Capital

2.4.4.1 Structural dimension of internal social capital

The structural dimension explains some attributes and facets of the physical existing ties from one actor to another. These attributes include the pattern and strength of the connections, the configuration of the network, and the appropriability of the ties (Nahapiet & Ghoshal, 1998). In relation to the definition of internal social capital, network ties between managers within the intra-firm network is a key point. Network ties emphasize the existence of the relationship, and the subsequent information and resource benefits (Coleman, 1988). Traditional network research proposes that the location of an actor inside a certain network structure generates distinctive advantage for the actor (e.g. Burt, 1992; Tsai & Ghoshal, 1998). This thesis looks into the attribute of the tie itself. Ties constitute important information channels, enable access to valuable information earlier than others, and refer lucrative opportunities to actors within the network (Burt, 1992). There has been a widely applied typology of ties that separate strong ties with weak ties (e.g. Granovetter, 1983). A strong tie is defined as close tie based on mutual, long-term trust, respect and commitment, and a weak tie is defined as superficial tie without a close cognitive and emotional understanding of each other (Söderqvist & Chetty, 2009).

Ojala (2009) came up with another typology of interest. He divided network ties into formal ties, informal ties, and intermediary ties. A formal tie involves a relationship based on business or market relationships (Adler & Kwon, 2002; Coviello & Munro, 1997). An informal tie, on the other hand, is related to relationships with friends and family members (Coviello, 2006). Podolny and Baron (1997) proffered that these informal ties could provide identity-related information and emotional support. Oh, Chung and Labianca (2004) emphasized the change of venue from work to informal settings, thus informal ties enhance trust between members and motivate them to strengthen and broaden their relationships. Social interaction is a behaviour reflection of the informal ties (Tsai & Ghoshal, 1998). Actors could make use of their informal ties and interact with other actors to obtain valuable information, which is relevant to identifying viable business opportunities (Ozgen & Baron, 2007). Previous studies have indicated that trusting relationships actually evolve from social interactions (Tsai & Ghoshal, 1998; Granovetter, 1983). Also, organizational socialization literature suggests that social interaction helps individuals to learn and adopt organizational values (Van Maanen & Schein, 1979). Inside a firm, social interactions among managers blur the boundaries of those functional units and stimulate the formation of common interests. This is critical for innovation diffusion and creativity of the firm.

2.4.4.2 Relational dimension of internal social capital

The relational dimension of social capital refers to assets that are rooted in the relationship with other actors. In contrast to structural dimension, relational dimension emphasizes the quality of the relationships other than the attributes of the ties (Moran, 2005). Nahapiet and Ghoshal (1998) included trust, norms, obligations, and identity in this dimension. The trust aspect encompasses trustworthiness and trusting relationships among network actors. It is regarded as a key to collective action and helps shift individuals from a self-seeking focus toward a collective focus (Adler & Kwon, 2002). Relational norms embedded in trust form a dynamic pattern of obligation, stronger and more powerful than formal rules and policies (Leana & Van Buren, 1999).

From an internal perspective, the quality of the relationships between managers is reflected in their trusting relationships (Yli-Renko et al., 2002). Trust is viewed as an important aspect of organizational context (De Clercq et al., 2010). Sako (1992) pointed out three forms of trust: contractual, competence and goodwill. Contractual trust refers to the extent to which a firm abides by a given contract, competence trust reflects a firm's actual ability to fulfill the contractual obligations, and goodwill trust exists when partner firms are willing to go above and beyond contractual stipulations (Sako, 1992). This thesis adopts the goodwill trust perspective. Leana & Van Buren (1999) drew comparisons between resilient trust, which echoes contractual trust, and fragile trust, which echoes goodwill trust. Fragile trust is based on perception of immediate likelihood of rewards. Without contractual means and substantial risk-reward return, fragile trust could not survive (Ring & Van de Ven, 1992). Resilient trust is built on strong links; it is not calculative and can tolerate the situations where benefit and cost are not equilibrated. Competence trust reflects the beliefs and expectations about the reliability and predictability of others' behaviour (Sitkin & Roth, 1993). However, as a counter-example, repeated defective behaviour could be predicted, but it does not involve trust (Zaheer, McEvily, & Perrone, 1998). Thus, in the context of international young ventures where formal norms and rules are relatively unestablished, goodwill trust will be appropriate to document the mutual belief in managers' moral integrity.

Trust could act as a governance mechanism for embedded relationships (Uzzi, 1997) and as an antecedent of cooperation (Ring & Van de Ven, 1994). Trust is instrumental for the effective operation of the venture. Nevertheless, Uzzi (1997) also pointed out the paradox that trust may cause "over-embeddedness" and result in low adaptability, redundant information and isomorphism when it exceeds a certain level.

2.4.4.3 Cognitive dimension of internal social capital

The third dimension, cognitive dimension, is embodied in the shared code and language in the light of Nahapiet & Ghoshal's (1997) framework. The cognitive dimension comprises the group's shared vision and purpose, as well as a distinct language, stories and codes of a collective that are commonly known and understood, yet deeply embedded.

Shared vision represents the collective goals and aspirations of the parties (Tsai & Ghoshal, 1998). When managers have similar perceptions of common goals and how they should interact and perform to attain them, shared vision is present. The degree of which network members share a common understanding influences the network tasks and outcomes (Inkpen & Tsang, 2005). Although managers have to fulfill a certain secondary goals related to the departmental benefits, they should strive toward a common goal (Coleman, 1990). Leana and Van Buren (1999) label this phenomenon as "associability", i.e., the "willingness and ability to define collective goals that are then enacted collectively" (p. 542). Conversely, fundamental differences in vision generally lead to higher level of conflicts between managers (Pinto, Pinto & Prescott, 1993). Additionally, the cognitive aspect of internal social capital is both reinforced by, and reinforcing of, the structural and relational components (Tsai & Ghoshal, 1998). People who share the same mental models about their work are also more likely to have high-quality relations with one another and to interact with one another informally.

The three aspects of social capital—structural, relational, cognitive—work together to enhance information transmission and absorption among managers of international young ventures.

Chapter 3 Theory and Hypotheses

3.1 Conceptual Model

Figure 3.1 presents the conceptual model of this thesis. This thesis theoretically and empirically examines how internationalization via geographic diversification would give rise to a young venture's LAN through the mechanism of internal social exchange and achieve superior performance implications. The arguments are developed drawing on the conceptualization of internal social capital and organizational learning theory.

Geographic diversity has been a critical process dimension of the development of international markets for young ventures (Jones & Coviello, 2005). Patel et al. (2016) argued that international young ventures ought to decide on the scope of their internationalization after inception. For most young ventures, the choice of expanding into multiple geographically distant markets could be viewed as an entrepreneurial and proactive action in search of opportunities (Zhou et al., 2010). Such choice reflects not only the strategic vision but also the critical managerial efforts in pursuit of rapid international growth (Hutzschenreuter, Pedersen, & Volberda, 2007). International young ventures oriented to expand into diverse geographic markets deploy internal social capital as an efficient means of obtaining and underpinning LAN, and hence achieve superior international performance through effective international knowledge acquisition and integration.

[Insert Figure 3.1 about here]

3.2 Geographic Diversity-Performance Relationship

By having a presence in a number of geographic locations, ventures face broader learning opportunities and can acquire a richer stock of knowledge (Yeoh, 2004). In an attempt to internationalize in disperse locations, young ventures indeed encounter high levels of uncertainty due to the limited knowledge about these markets (Hilmersson and Jansson, 2012). Acquiring international market knowledge is an essential element for a young venture's rapid growth. They must aggregate, collate and interpret the competitor and customer related information from all angles (Preece et al., 1999). They must also process information to understand government policies and cultural and market requirements. Exposure to a varied setting, events and ideas creates immense learning opportunities. These activities embedded in local business relationships extends far beyond the venture's own horizon, resulting in a direct experiential learning (Huber, 1991; Johanson & Vahlne, 2009). These learning opportunities enrich the venture's knowledge base and enables international young ventures to differentiate themselves (Zahra et al., 2000). These learning opportunities also trigger double-loop learning characterized by frequently questioning and updating the current routines (Argyris & Schön, 1978). When this type of learning is in place, the venture becomes proficient in formulating novel ideas and solutions. Thus, the venture becomes adept in product differentiation and innovation, which leads to competitive advantage and superior performance.

Expanding into numerous foreign markets could extend the social network of the young venture, connecting it with important constituencies and resources that could be leveraged to provide competitive advantages (Coviello & Munro, 1997; Ellis & Pecotich, 2001).

Internationalizing firms are engaged in a local business network, which involves buyer, suppliers, and competitors. These small firms infuse their foreign activities into the supply and value chains of their host country (Han, 2006). Such networks allow the ventures to build up a conduit of knowledge as the weak ties can give them access to various information sources (Prashantham, 2005; Granovetter, 1983). Moreover, firm-level interactions with contacts from various geographic markets also provide the firm with chances to vicariously evaluate peers' outcome and lessons (Yeoh, 2004). They can involve in vicarious learning and notice new things that their networking contact firms are doing. They may mimic their behaviours and learn marketing, technological and cultural information from each foreign market. Such knowledge can help the venture localize and adapt toward environmental threats, bringing cutback in the mortality rate of international young ventures (Zahra et al., 2000; Sapienza et al., 2006).

The aforementioned two perspectives reveal that geographic diversity would provide various learning opportunities and local network support for the international young ventures. The advantage would instigate young ventures to acquire new knowledge in diverse markets, contributing to its exploitation of new opportunities.

Therefore, it is hypothesized that:

Hypothesis 1. The extent of the geographic diversity of a firm's international expansion is positively related to the international performance of the firm.

3.3 The Mediating Role of Internal Social Capital

3.3.1 Nuances of LAN

International young ventures accrue access to more opportunities of learning when they expand into multiple geographic locations (Luo, 2002). Nevertheless, this learning process entails more than the exposure and acquisition of rich external knowledge. International young ventures need to harvest and exploit their knowledge to form a global competitive advantage. It is the ability to manage and cultivate knowledge that distinguishes a successful firm from failed ones (Nonaka & Takeuchi, 1995). Thus, it is vital to investigate the consequent learning procedure occurred within the firm. By determining what the knowledge is, evaluating the value of the acquired knowledge and exploiting the knowledge at commercial ends, international young ventures garner the benefits (Zahra et al., 2000). In the process, however, organizational constraints and advantages apply.

The nature of the relationships between senior managers within an international young venture could be characterized as coopetition (e.g. Luo et al., 2006; Tsai, 2002). The transfer of knowledge across functional departments or managers can be both competitive and cooperative in nature. In a competitive view, managers will have to compete for both tangible resources (e.g. firm capital, personnel) and intangible resources (e.g. strategic priority, managerial attention). In a cooperative view, managers will need to collaborate with each other for the common interest of the venture. With thin resources and a diverse market portfolio, managers of international young ventures will exhibit coopetition characteristics conspicuously. Upon close scrutiny of the causes of LAN, we noticed some nuances. First, the interactions and communications between managers could not be overlooked. This is a critical approach to building organizational knowledge from individual knowledge. Second, although international young ventures are presumed to enjoy the structural and political advantage, eventually new knowledge structures will be developed over time. During this process, the cost of organizational experiments and internal politics cannot be ignored. Third, the benefit of reduced political conflict is emphasized by the cognitive advantage, but constructive conflict contributes to further risk and uncertainty contemplation.

Social capital theory identifies the factors that help leverage the firm’s internal resources, including information, knowledge, and resources (Nahapiet & Ghoshal, 1998). By incorporating the internal social capital theory, the micro-process of how LAN accrues is revealed. The social capital developed between managers creates structural, relational and cognitive resources residing in the interactions between them (Leana & Van Buren, 1999; Tsai & Ghoshal, 1998). Drawing on the notion that knowledge integration and exploitation toward international opportunities could be optimized through the buildup of three dimensions of internal social capital, the following hypotheses focus on the specific mechanism of (1) the intrafirm trust that senior managers of internationalization possess; (2) the social interaction of between senior managers of internationalization and other managers and (3) the shared vision regarding internationalization commitment among senior managers.

3.3.2 The Mediating Role of Intrafirm Trust

Intrafirm trust has been considered as one of the most frequently used variables manifesting relational dimension of social capital (Nahapiet & Ghoshal, 1998; Tsai, 2002; Coleman, 1990). Trust underlies the creation and maintenance of the relationships between managers within a venture. It is both the antecedent and the outcome of an interactive relationship (Leana & Van Buren, 1999). This thesis suggests that intrafirm trust is reflected in functional managers' beliefs about others' good intentions (Sitkin & Roth, 1993) and positive attitudes in risky situations. Intrafirm trust underpins LAN by smoothing internal operations.

Trust can act as an alternative or complement to formal or third-party governance mechanisms (Uzzi, 1997). When trust between managers is low, the venture would have to adopt legalistic control mechanisms (e.g. bureaucratic procedures or legal requirements, [Fox, 1974]). These remedies, with the intent of restoring trust, are “impersonal” and often ineffective (Sitkin & Roth, 1993). Sapienza and colleagues (2006) concur that international young ventures have a relatively flat organizational structure, and intrafirm trust underlies as a tacit assumption (Sitkin & Roth, 1993). In particular, a company running under this flat structure is presumed to have managers that are trusted to operate with autonomy. Nevertheless, this supposition is hardly examined (Huber, 1991). To answer this question, the role of intrafirm trust in support of the organizational setting within an international young venture could be addressed as follows.

First, intrafirm trust provides a personal monitoring mechanism with a lower cost. When trust governs the cross-functional relationships, the reliance on formal monitoring mechanisms will be less relevant (Bstieler, 2006). Notably, intrafirm trust is believed to be inversely associated with monitoring cost. Under conditions of high trust, managers will spend less time and resources on monitoring whether others would fulfill their commitments, because they are confident that opportunistic behaviour is constrained (Bradach & Eccles, 1989). The higher level intrafirm trust is of, the more freedom of action and less likelihood of violation managers have (Dyer & Singh, 1998). Thus, more managerial effort and attention can be unfettered and invested into opportunity exploitation (Ocasio, 1997).

Second, intrafirm trust smooths out internal learning process. Structural advantage claims the absence of rigid routines, where new knowledge and routines could be integrated with less conflicts. In a similar vein, intrafirm trust makes internal learning more efficient. During the knowledge integration process where know-hows and information from different markets are combined, with higher level of intrafirm trust, managers tend to grant concessions more quickly and easily (Kogut & Zander, 1992; Dyer & Chu, 2003). For example, when managers evaluate the relevance and value of a piece of knowledge, debates could happen among them. They tend to be more flexible toward the instant benefit and cost because they believe others will reciprocate in the future (Dore, 1983). They would also interpret the conflicting behaviours and opinions as positive and view them as constructive conflicts rather than as competitive. This contributes to a flexible and open-minded attitude toward new knowledge from various marketplaces.

Furthermore, with a high level of intrafirm trust, managers are more willing to sharing distinct knowledge and experience from global markets (De Clercq et al., 2013). Competition among managers intensifies as the venture pursues multiple diverse markets. The willingness of knowledge sharing may be sacrificed due to suspicion (Inkpen & Tsang, 2005). The motivation that managers share their valuable, idiosyncratic information would be fueled by intrafirm trust. They are not bothered to render themselves vulnerable, and thus less suspicious to withhold sensitive information or foolish-looking ideas (De Clercq, Dimov & Narongsak, 2010; Atuahene-Gima & Murray, 2007). Knowledge containing patterns of changing conditions in technology, economics, politics and society, could be better disseminated within the firm (Ozgen & Baron, 2007). The venture could leverage such knowledge to recognize new international opportunities.

Therefore, it is hypothesized that:

Hypothesis 2a. The level of intrafirm trust of a firm mediates the positive relationship between the geographic diversity of its international expansion and its international performance.

3.3.3 The Mediating Role of Social Interaction

Social interaction delineates the presence of informal relationships among managers (Tsai & Ghoshal, 1998; De Clercq & Zhou, 2014). Other than formal work situations, managers may know each other on a personal level and interact at an informal setting. This informality reflects the salience of close social contacts and personal connections between them (De Clercq, Thongpapanl & Dimov, 2011). This thesis proposes that social interaction underpins LAN by widening and deepening information channels for opportunity recognition.

Social interaction widens idea and information inputs. Cognitive advantage implies that managers would possess cognitive flexibility of not diving too deeply into certain types of knowledge. Social interaction gives managers more informal exposure to manifold information and allows them to express their own views freely and more frequently (Green & Brock, 2005). The more geographic-distant markets a firm enters, the more diverse information the managers possess (Luo, 2002). Greater use of an informal interaction channel implies increased access to peer managers and their information (Gupta, Govindarajan, & Malhotra, 1999). This is beneficial to the diffusion of new knowledge and ideas within the organization, so that managers will have enhanced opportunities to learn about different types of knowledge (Tsai, 2002). Furthermore, international young ventures learn as managers go through an organizational problem solving experience, where managers will have to voice their divergent opinions (Huber, 1991). When managers maintain informal relationships with their peers, ideas could be exchanged in a free manner with less pressure of being critically evaluated (Tsai, 2002; Atuahene-Gima & Murray, 2007). This widens the information channel and makes managers more willing to offer risky and pioneer suggestions in pursuit of new international opportunities (Payne et al., 2011). They also tend to exchange knowledge not only about their success, but also about their setbacks (De Clercq & Sapienza, 2006). In this vein, managers are gravitated to come up with novel solutions toward uncertain situations; meanwhile, the risk at stake could be accurately calculated with critical evaluation of prior success and failure. Such pioneering ideas and meticulous risk assessment would lead to innovative and rigorous pursuit of international opportunities.

Furthermore, social interaction deepens the information channel. Social interactions are particularly effective in bringing tacit knowledge to the surface (Szulanski, 1996). Tacit knowledge is valuable in avoiding imitation and creating competitive advantage, and is deemed to be the idiosyncratic resource of the venture (Rumelt, 1982; Dhanaraj, Lyles, Steensma, & Tihanyi, 2004). It takes "durable and repetitive interactions" to transfer and exploit tacit knowledge (Eriksson et al., 1997 p. 354). Social interaction ensures that managers confer at different levels (work or personal). For example, if managers could not reach a consensus, or ambiguity still exists after a formal meeting, personal interaction can help them work through conflicting viewpoints and increase resonance toward a certain viewpoint (Oh et al., 2004). Thus, social interaction deepens the channel of tacit knowledge transfer, which leads to advantageous positions in international markets.

Therefore, it is hypothesized that:

Hypothesis 2b. The level of social interaction of a firm mediates the positive relationship between the geographic diversity of its international expansion and its international performance.

3.3.4 The Mediating Role of Shared Vision

Shared vision provides "shared representations, interpretations and systems of meaning among parties" (Nahapiet & Ghoshal, 1998, p. 243). This dimension of internal social capital reflects the presence of a shared paradigm, which indicates the appropriate fit between managerial actions and the scope of internationalization—going toward diverse markets (Pinto et al., 1993). This thesis proposes that shared vision underpins LAN by enabling managers to develop committed international strategies (i.e. geographic diversity).

Shared vision enhances commitment by providing internal solidarity. Political advantage implies that managers are less intimidated with the hierarchical control and loss of power when interacting with each other. In a similar vein, shared vision enhances the willingness of managers to subordinate their personal preferences to the collective organizational good, even at the expense of personal privileges (Leana & Van Buren, 1999). It is possible that managers would have their own benefits in mind. Calculation happens when they oversee revenues from diverse markets.

Shared vision ensures that at the top of their minds, there exists an overarching commitment for the collective benefit of the organization (Nahapiet and Ghoshal, 1998; De Clercq et al., 2013). Shared vision conveys a sense of responsibility, or an organizational citizenship, to help others within the venture, regardless of their personal relationship and conflicts (Wasko & Faraj, 2005; Adler & Kwon, 2002). The propensity of conflict and hostility would decrease, even if they may hold different departmental goals for different markets (Pinto et al., 1993). Managers would devote a full-fledged effort in foreign markets and be more willing to invest their time and pool their expertise. Therefore, managers will be supportive and cooperative toward the exploitation of international opportunities.

Shared vision enhances commitment by providing common logic for opportunity recognition. Without a preceding dominant logic, international young ventures are more likely to have a wider scope of opportunity recognition (Autio et al., 2000). Nevertheless, difference in vision could seriously prevent communication and knowledge exchange due to the variance in transmission and interpretation (Pisano et al., 2007). Unexploited opportunities may originate from the transfer of information about a specific industry change, new technology, or simple unmet demand at foreign markets. Without a shared vision, the information exchange between managers could lead to misinterpretation (Inkpen & Tsang, 2005). Thus, it is important for managers to hold a shared interpretation system when they are making sense of international opportunities (De Clercq et al., 2013).

Therefore, it is hypothesized that:

Hypothesis 2c. The level of shared vision of a firm mediates the positive relationship between the geographic diversity of its international expansion and its international performance.

3.4 The Moderating Role of Organizational Structure

In addition to the firm's internal social capital, this thesis considers the variables related to the organizational structure. The extent to which the benefits of internal social capital can be fully realized is dependent on the organizational characteristics. Principal-agent theory suggests that organizational structure has major influence on the efficacy of social capital (Braun & Guston, 2003). Particularly, this thesis focuses on formality, which refers to the development of detailed guidelines of appropriate operating procedures (Michaels, Cron, Dubinsky, & Joachimsthaler, 1988), and role concentration, which refers to the extent to which managers have concentrated work focus on domestic issues (De Clercq, Sapienza, & Zhou, 2014).

3.4.1 The Moderating Role of Role Concentration

As mentioned above, this thesis hypothesizes a mediating effect of internal social capital between the relationship of geographic diversity and international performance. Yet, it is expected that the concentration of managers' roles may decrease the efficacy of internal social capital, such that intrafirm trust, social interaction and shared vision become less effective for explaining the geographic diversity-performance relationship under the condition of high role concentration. Role concentration depicts the degree of the concentration of functional course of work and here reflects the how the work range managers focus on domestic issues (Moenaert & Souder, 1990).

First, role concentration limits the span of knowledge and job sharing. When managers are highly focused on their own job, their intention of leveraging others' resources and knowledge will decrease (Ocasio, 1997). They will find that others' knowledge becomes less relevant because their jobs bond them in a certain area of knowledge. The confined job span tends to deprive managers of the incentive to integrate knowledge and restrains the propensity for leveraging resource allocation decisions for a comprehensive internationalization strategy. This is especially the case when a manager has been devoted to domestic operations, building up cognitive schemes irrelevant to international issues. In this way, the benefit of internal social capital is limited because managers' focus may not necessarily require them to reap that benefit toward international performance.

Second, role concentration impedes communication between managers. A concentrated work area requires high level of specialization and managers learn to become an expert of their own domain. This may lead to a diminished common knowledge base between managers, which makes the communication between them become more difficult (Cohen & Levinthal, 1990). Managers would find it hard to scan different functional areas for relevant information (Eriksson et al., 1997). If the communication is constrained, the efficacy of internal social capital in facilitating the knowledge integration and exploitation will be hampered.

Therefore, it is hypothesized that:

Hypothesis 3a. The indirect effect of the extent of geographic diversity of a firm's international expansion on its international performance is moderated by the level of role concentration of the managers such that this indirect effect is weaker at higher level of role concentration.

3.4.2 The Moderating Role of Organizational Formality

In addition, it is expected that formality of the organization may act as *substitute* for internal social capital, such that intrafirm trust, social interaction and shared vision become less relevant for explaining the geographic diversity-performance relationship in condition of high organizational formality. Burt (1997) suggests that when the formal rules and procedures are scarce, the prospect of one's social role increases correspondingly. In this way, the lack of formality helps emanate the benefit of internal social capital.

A formalized system serves as a structured mechanism to govern cooperative behaviours among managers. First, organizational research has identified the role of formalized structure as a coordination mechanism, and this relates to the notion of "mechanistic organizational capital" (Kang & Snell, 2009). When formal systems define specific rules and ingrained patterns of behaviour, it becomes compulsory for managers to cooperate with each other in an efficient manner. This formalized system is typically perceived as robust and legitimized (Katila & Ahuja, 2002). Second, managers would have more chances of interaction (e.g. more regular sessions) under formal arrangements (Adler & Borys, 1996). These termly interactions enhance their mutual exchange of knowledge. Furthermore, a formalized system clarifies role expectations and reduces role ambiguity. When managers have a clear idea of the managerial role for themselves and others, the uncertainty and variability of their managerial behaviour will be decreased (Rizzo, House and

Lirtzman, 1970), thus managers tend not to act opportunistically. In this way, the collective action between managers are feasible without the presence of internal social capital.

Therefore, it is hypothesized that:

Hypothesis 3b. The indirect effect of the extent of geographic diversity of a firm's international expansion on its international performance is moderated by the level of formalization within the firm such that this indirect effect is weaker at higher level of formality.

Chapter 4 Methodology

4.1 Sampling Method

To test the hypothesis, a secondary dataset is used. Publicly available data in emerging market are usually scarce and inaccurate (Khavul, Pérez-Nordtvedt, & Wood, 2010). Therefore, it would be vital to use a more accurate and goal-oriented method—survey, to attain data for this study.

China is a suitable empirical context to test my hypotheses. China has been recognized as central to global economic growth. She has become the second largest trading nation and the largest exporter in the world. In terms of the entrepreneurial firms, China has been regarded as a cradle to small and medium sized enterprises. Statistics show that in 2008, there were more than 40 million SMEs which accounted for more than 99.6% of the total number of enterprises in China. SMEs contributed as much as 59% of GDP and represented over 65% of the imports and exports of the country.

Zhejiang province has been an important region in China's economic reform and opening. Zhejiang has the largest number of overseas enterprises and accounts for 12.7% of China's total exports with a year-on-year growth of 15% in 2017. The number of SMEs in Zhejiang has enjoyed an annual growth rate of 38.9% from 2016 to 2017. SMEs has taken up over 98% of the total firms in Zhejiang since 2011 (Statistical Yearbook of Zhejiang, 2017). These facts together make Zhejiang one of the most entrepreneurial and export active regions in China. Hence, it is appropriate to choose international young ventures from Zhejiang province to study the phenomenon.

A list of manufacturing firms was obtained from the Economic and Trade Commission of Zhejiang province. This thesis randomly assigned 800 independently owned firms. Consistent with previous research of international young ventures (e.g. Zhou et al., 2012), the following criteria are applied to the sampling frame to select the ventures suitable for this research: (1) firms that are engaged in international activities. Those activities include export, import, foreign licensing, detachment of personnel abroad or expatriation, foreign joint ventures and foreign subsidiaries, (2) firms that are privately owned, not subsidiaries or joint ventures with publicly-owned firms or multinational corporations.

4.2 Data Collection

The field work was conducted from late 2009 to early 2010. The questionnaire was distributed, administered and collected by five trained research assistants. Two senior managers were invited as key informants from each of the enterprises. They possessed well-recognized knowledge toward the international activities and functioning of the focal firm. The research assistants booked appointments with each key informant for an on-site interview. The research assistants were familiar with the objective and the process of our research and had experience in conducting questionnaire surveys. The in-person presence of research assistants would help us control the quality of the responses. It allowed the interviewees to raise question when they faced ambiguous wording and unfamiliar meanings. The consistency of the response would be enhanced by the research assistants who knew the content well.

To avoid common method bias, the two senior managers were interviewed separately. The survey questions were originally prepared in English and then translated into Chinese. To avoid cultural bias, the Chinese version was back-translated into English and inspected with care to avert misunderstanding (Brislin, Lonner, & Thorndike, 1973). A preliminary version of the questionnaire was pretested among six executives from different firms and the feedback was incorporated into the revised version. This procedure made our survey more readable and substantially contributed to the quality of the answers (Peng & Luo, 2000). Alongside the questionnaire, a cover letter introducing the goal of the research and the commitment of a research summary were offered to the respondents. These practices would improve the response rate.

The number of collected responses was 228, with an actual participation rate of 28.5%. Upon receiving of the dataset, the invalid responses were filtered out. There were 12 responses that had too many missing values in the key constructs. In order not to bias the results, those returned questionnaires were eliminated from the sample. This thesis further filtered the questionnaires in order to be consistent with previous studies in international young ventures (Zhou et al., 2012). The definition of SMEs in China has changed overtime (e.g. OECD report 2005, 2016). We chose to follow the Chinese official standard that was published most closely to the time that our research was conducted. According to the Interim Categorizing Criteria on SMEs published in 2003, the maximum employee number for the firms that fall into this category is 2000 for industry and manufacturing. Therefore, four samples with current employee number over 2,000 were deleted. The filtering process ends up getting a total of 212 available samples, with a valid return rate of 26.5%.

The demographic information for the 212 sample firms is presented below in Table 4.1 to 4.6. Of the participating enterprises, 52.1% of them are in manufacturing sector. The rest of them are from multiple sectors, including textile, chemicals, and so on. 90% of the firms have an employee population below 500. The responding firms were at a relatively young age. The average firm age is 5.62 years, and over 95% of the firms are under ten years old. They went international in a quick fashion because more than 90% of the firms realized their first international sales within five years of their inception. 80% of them chose exporting as the approach to realize their foreign market entry initially.

[Insert Table 4.1-4.6 about here]

4.3 Measures

4.3.1 Independent Variable

Geographic diversity

Zahra et al. (2000) calculated geographic diversity by using the data regarding the percentage of the company’s international revenues earned from operations outside the origin country. However, this measure was based on country-level data. Unfortunately, sales revenues by country are largely unavailable from secondary sources, especially for small ventures without public disclosure (Hitt et al., 1997). Instead, Hitt and his colleagues (1997) used regional market data. Many researchers and organizations have projected a range of regional classification (Rugman & Verbeke, 2004). Following many institutional reports (e.g. World Bank, OECD, United Nations) and previous research (e.g. Wu & Zhou, 2018), this thesis groups countries into seven geographic regions (i.e. Asia, Africa, Europe, the Middle East, North America, South America and Oceania).

The proposed measure of geographic diversity is a combination of the traditional proportion of foreign sales and the dispersion of foreign sales across the above-mentioned Triad regions (Reuber & Fischer, 1997). Specifically, Blau's index of geographic diversity is defined as:

$$\text{Geographic Diversity} = 1 - \sum_{i=1}^{7} {P_i}^2$$

where P_i is the proportion of the sales from specific global market region i to total global sales. This measure considers both the number of regional markets in which a firm operates and the relative importance of each global market region to total sales (Thomas & Eden, 2004). The denominator of this measure is similar to the Herfindahl-Hirschman index, which has been widely used in the field of economics for the calculation of concentration and diversity of markets (e.g., Grant, Jammine, & Thomas, 1988). As this method accounts for both the breadth (dispersion of foreign sales) and the depth of multinational operations (foreign sales), it should be more comprehensive compared with other measures. The number of locations chosen, and how important each of them is, are taken into account.

Responding to the call of research of "managerial intentionality" (Hutzschenreuter et al., 2007), the data collection method for this measure is modified. As past sales data from each region reflects the consequences of previous managerial decisions, prior studies often utilize objective past sales data to constitute the measure. However, this approach is subjective to the influence of exogenous factors that impose consequences on sales. For example, while the top managers propose to switch to a concentration strategy, prior business relations may still incur a certain level of sales in regions that are no longer in the plans of the strategy. The key point of using P_i of each region is to extract the relative importance of each region in the managerial perception. To reveal how the role of decision makers affect internationalization pathways and strategies, it would be more effective to measure the perceived importance of each region from the decision makers. The advantage of this subjective measure, compared with the objective sales measure, is that it mirrors the strategic intention of the decision maker directly. The exogenous factors contributing to the final sales would not be accounted for in this measure. For operationalization, the questionnaire asked the respondent to assign a total of 100 points to each region. And P_i was calculated as the proportion of the perceived importance of the ith regional market.

To provide validity evidence for this measure, this thesis adopted another measure of geographic diversity to validate this measure. Previous literature has adopted an entropy-type measure for geographic diversity (e.g. Qian et al., 2010). The entropy measure is defined as:

$$\text{Geographic Diversity} = \sum_{i=1}^{7} P_i \times \ln({}^{1}/_{P_i})$$

where P_i is the proportion of the sales from specific global market region i to total global sales and $\ln(1/P_i)$ is the weight given to each global market region (i.e. the natural logarithm of the inverse of its sales). There is a strong negative correlation between my measure and the entropy measure (r=-.706, p<.0001). Since the entropy measure is reverse coded, this negative correlation provides strong evidence of the validity of my measure of geographic diversity.

4.3.2 Mediating Variables

Intrafirm trust. This thesis uses a four-item question sets to assess the level of intrafirm trust. The measure is adapted from previous research of interpersonal trust (Rempel, Holmes, & Zanna, 1985) and inter-firm trust (De Clercq & Sapienza, 2006). The respondents were requested to answer questions regarding the trustworthiness, whether managers keep their promises, honesty, and the avoidance to opportunism. These questions were: (1) “Senior managers involved in foreign activities can always be trusted to do what is right for the firm,” (2) “Senior managers involved in foreign activities always keep the promises they make,” (3) “Senior managers involved in foreign activities are perfectly honest and truthful with others in the firm,” and (4) “Senior managers involved in foreign activities would not take advantage of others, even if the opportunity arose.”

Social interaction. Drawing from prior research, the level of social interaction was measured with four items (De Clercq et al., 2011). These questions were: (1) “Senior managers involved in foreign activities spend significant time socializing with other managers within our firm,” (2) “Senior managers involved in foreign activities maintain close personal relationships with other managers of our firm,” (3) “Senior managers involved in foreign activities in our firm know others in the firm on a personal level,” (4) “The relationship between senior managers involved in foreign activities and others in the firm is very informal.”

Shared vision. This thesis uses a four-item scale adopted from previous research (Tsai & Ghoshal, 1998; De Clercq, Bouckenooghe, Raja & Matsyborska, 2014). It captures the extent to which objectives regarding internationalization are fully aligned across functional managers. The respondents were asked: (1) “Senior managers in our firm share a similar vision regarding the role of foreign activities for the firm,” (2) “Senior managers in our firm think alike on issues that relate to foreign activities,” (3) “Senior managers’ business objectives with respect to foreign activities are fully aligned with one another,” (4) “Senior managers in our firm have similar views concerning the challenges encountered in foreign markets.”

4.3.3 Moderating Variables

Organizational formality. This thesis uses a three-item scale to measure formality of the organization structure. This scale is adopted from the work of Dyer and Song (1998) and includes the extent to which the structure, routines and rules are formalized within a venture. The respondents were asked: (1) “Our firm is very formalized and structured in regard to its domestic business operations,” (2) “Our senior managers tend to follow the same routines and procedures in day-to-day business operations, even when entering new markets,” (3) “The glue that holds our domestic business operations together is formal rules and policies.”

Role concentration. A three-item scale is used to measure the role concentration adapted from the research of De Clercq et al. (2014). The respondents were asked: (1) “Our organizational structure is centered on maintaining existing domestic business," (2) "Our senior managers tend to have responsibility or authority in one central task area rather than in several task areas," (3) "Our domestic business activities are undertaken by senior managers who have very narrow task descriptions, rather than broad task descriptions that span different areas."

4.3.4 Dependent Variables

In view of Katsikeas and colleagues' (2016) work, performance should be assessed from more than one dimension. Previous research on multinationality of MNC have utilized different performance measures (Hitt et al., 2006). Hult and colleagues (2008) assessed the performance measures in international business and concluded that it is difficult to operationalize performance of firms that are geographically diverse due to cross-border variations in accounting standards. The selection of performance measure is particularly intriguing for international young ventures because of the complex implications of geographic diversity (Wu & Zhou, 2018). As the results vary in complex ways, regardless of other influencing factors, there is a lack of consensus about the use of performance measures.

Sales growth and profitability are two key dimensions of the performance outcomes of international new ventures, but there is a potential negative correlation between them (Katsikeas et al., 2016). Based on this observation, for performance indicator, this thesis chooses international market performance reflected by the level of sales and market share the venture has reached and international investment return reflected by the profit and ROI in international markets. International market performance is comprised of international sales growth and market share growth and indicates the size of foreign market the venture has reached. International investment return is comprised of international profit growth and return on foreign investment and indicates the efficiency of how the venture has reached that level of size. Both constructs are measured by a self-report 5-point Likert scale.

4.3.5 Control Variables.

Several control variables are included in the model to account for alternative explanations.

Firm-level resources should be controlled, and these resources are reflected by venture age, venture size, and international sales. Venture age is measured by the number of years a venture has been in existence. Age is controlled because it may influence a venture's technological learning (Zahra et al., 2000), sales and profitability of foreign activities (Chandler & Hanks, 1993). The accessibility to foreign markets is also influenced by age (Oviatt & McDougall, 1994). Venture size is measured by the natural logarithm of a venture's full-time employees (Zahra et al., 2000). Human capital is critical to the survival rate of ventures. Venture size may also affect learning capability (Simonin, 1997) and international diversifying operations (Erramilli & D'Souza, 1993). Current international sales account for the stock of resources that a venture will have now. Past performance could affect its survival and future internationalization efforts (Patel et al., 2016). Because the timing of the venture's initial internalization may influence its learning and performance (De Clercq et al., 2012), the earliness of internationalization is controlled. Another important dimension of internationalization, namely entry mode, is also controlled to rule out its effect on performance (e.g., Shaver 1998). As international young ventures practically will choose export as the initial entry mode, based on the sample, this thesis labeled exporter as "1" and others as “0” (Knight & Cavusgil, 2004). Finally, the dynamism of the industry is controlled. The systematic variations in growth opportunities differ from one industry to another (De Clercq et al., 2013), and the environmental uncertainty requires internal mechanisms to resolve it when it comes to learning. A multi-item scale adapted from Jaworski and Kohli (1993) was used, measured in a 5-point Likert scale. The scale included the following questions: (1) “Environmental changes in our industry are rapid and frequent,” (2) “In our industry, changes are taking place continuously,” (3) “In our industry, the volumes of products and services to be delivered change fast and often.”

4.4 Assessment of Scale Properties

To assess the reliability and validity of the seven focal constructs, a confirmatory factor analysis of the corresponding measurement model was conducted. The construct reliabilities, consistent with the aforementioned Cronbach’s alphas, all exceeded the cut-off value of .70 recommended Nunnally (1978). Some researchers have suggested that the minimum factor loading of each item could be as low as .40 (e.g. Anderson & Gerbing, 1988). In this case, in order to yield a superior measurement quality of each construct, a more conservative cutoff value of .60 is adopted (e.g. Tabachnick & Fidell, 2007). After this purification process, one item for shared vision and one item for social interaction were omitted. The item that fell into disuse in social interaction is *“The relationship between senior managers involved in foreign activities and others in the firm is very informal.”* The item that fell into disuse in shared vision is *“Senior managers in our firm share a similar vision regarding the role of foreign activities for the firm.”*

The measurement model fit the data well. Following the suggestion of Kline (2011), the model fit is reported as follows. $\chi^2(149) = 312.04$; relative χ^2 index=2.094; confirmatory fit index=.918; root mean square error of approximation=.072; root mean square residual=.046. Although the chi-square test is significant ($p<.05$), other indicators of model fit, such as CFI, RMSEA and RMR, all satisfy the cut-off value for a good fit.

Furthermore, the composite reliabilities exceed the cut-off value of .70 for each of the seven focal constructs (Lattin, Carroll, & Green, 2003). The convergent validity of the scales was affirmed by the magnitude of the AVE estimates and significant factor loadings of each of the measurement items (Gerbing & Anderson, 1988). The AVE estimate of each construct is greater than the suggest cut-off value of .50 (Bagozzi & Yi, 1988). In terms of discriminant validity, the AVE estimates of the constructs were greater than the squared correlations of the corresponding pairs of constructs (Fornell & Larcker, 1981).

Operationalization of the constructs is presented in the Table 4.7.

[Insert Table 4.7 about here]

4.5 Assessment of Common Method Bias

Although two respondents were requested to finish the questionnaire, the possibility of common method bias for the six focal constructs could not be ruled out completely. To alleviate the concern, two tests were conducted. First, a one-factor test, which entails an exploratory factor analysis of the measurement items of the constructs that were assessed by the same respondent, was conducted (Podsakoff & Organ, 1986). This thesis randomly selected one case for the analysis, and all constructs were included in the exploratory factor analysis. The result yielded five factors, and the first factor explained 29.42% of the total variance. This indicates that common method bias should not be a problem. Second, this thesis applied the marker technique that includes a comparison of the zero-order correlations among the study's variables with their partial correlation equivalents after controlling for a marker variable (Lindell & Whitney, 2001). The times of innovation collaboration with universities and research institutes, reported by the same respondent, was selected as the theoretically unrelated marker. There was very close similarity between the zero-order and partial correlation matrices. The partial correlation matrix is available upon request. Third, a post-hoc analysis was conducted to further examine whether the common method bias is in effect. The answers of the other respondent in each of the firm were used to retest the model. Overall, the two models exhibit similar patterns in terms of the main effects. Moreover, addressing from the theoretical point of view, common method bias typically is less salient in studies with complicated mediating and moderating effects, because the interviewees cannot easily guess the effect in test (Simons & Peterson, 2000). It would be less possible to obtain spurious answers and findings when the model is complex.

4.6 Analytical Process

This thesis uses hierarchical regression analysis to test my hypotheses (Cohen & Cohen, West, & Aiken, 2013). To test the direct effect hypothesis (H1), regression was conducted by setting geographic diversity as the independent and international market performance/international investment return as dependent variable, along with control variables. As for H2, because the mediation effect of internal social capital (i.e. trust, social interaction and shared vision) presents a critical component to the theoretical contribution, this thesis tested the presence of the mediation effect in three ways: the Sobel test (Sobel, 1982); Baron and Kenny's (1986) four-step procedure and the bootstrapping method (Preacher & Hayes, 2004).

The Sobel test is a specialized t test that provides an examination of whether the reduction in the effect of the independent variable, after including the mediator in the regression model, is significant (Sobel, 1982). The equation for calculating the z-value for Sobel test is:

$$\mathrm{Z} = \frac{a \times b}{\sqrt{b^2 \times S_a^2 + a^2 \times S_b^2}}$$

where a denotes the unstandardized path coefficient from the independent variable to the mediating variable, and b denotes the unstandardized path coefficient from the mediating variable to the dependent variable. S_a denotes the standard error of a and S_b denotes the standard error of b. The two sets of variables should be regressed without the influence of the third variable in terms of getting the numbers. Then we compare the Z value with the two-tailed normal distribution table to see if the null hypothesis that the mediated effect equals zero would be rejected or not.

Baron and Kenny's (1986) method involves four steps: (1) regress the independent variable with the dependent variable; (2) regress the independent variable with the mediating variable; (3) regress the mediating variable with the dependent variable while controlling the effect of the independent variable; (4) regress the independent variable and the mediator with dependent variable to see if the direct effect is statistically no difference from zero.

Compared with the aforementioned two tests, Preacher and Hayes's (2004) test generates a confidence interval rather than point estimates for indirect effects. MacKinnon, Lockwood, and Williams (2004) reported that a bootstrapping test has superior power and lower Type I error rates than the aforementioned traditional methods. It avoids the problems caused by asymmetric and non-normal sample distribution. This thesis utilized a bootstrapping procedure using 1000 random samples and replacement from the full sample (Shrout & Bolger 2002).

To test the second stage moderated mediation effect, or the moderated indirect effect, this thesis adopted a two-step analysis from Hernandez and Guarana (2018). The first step is to run an ordinary least square regression and perform simple slope analysis. This would reveal the significance of interactions in latent variables. The *second* step, this thesis resorts to a holistic approach by Preacher, Rucker and Hayes (2007) to test the moderated mediation effect. This method provides a comparison of the strength of the indirect effects at selected levels of the moderator. A SPSS macro (PROCESS by Hayes, 2018) is used to estimate the coefficients and calculate the bias-corrected CIs for 1000 bootstrap samples with replacement. The CIs were compared under three level of moderator: low, medium, and high. There are two types of conditioning provided in the macro. The first conditioning takes the value of 16^{th}, 50^{th} and 84^{th} for low, medium and high situation, and the second one takes -1SD, mean, +1SD respectively. The latter was adopted as a more widely used condition (e.g. Hernadez & Guarana, 2018; De Clercq & Zhou, 2014). The independent variable (geographic diversity) and moderators (organizational formality and role concentration) are mean-centered following Aiken and West's (1991) suggestion.

Chapter 5 Results

In Table 5.1, the correlation matrix of the study variables and their correlations is presented. The mean values, standard deviations, and correlations for all the measured variables are shown in this table.

[Insert Table 5.1 about here]

5.1 Result for H1

In Table 5.2-5.5, regression results were listed. Among all the regression models, the variance inflation factors were all less than the cutoff value of 10, and the concern of multicollinearity could be dispelled (Neter, Wasserman, & Kutner, 1990). All the Durbin-Watson statistics fell in the range of 1.5-2.5, and therefore there would be no concern of autocorrelation (Savin & White, 1977).

In H1, this study predicted that international young venture geographic diversity would yield better international performance, measured by the international market performance and international investment return. Support was found for this hypothesis in Model 8 (β=.451, $p<0.1$, significant) and Model 14 (β=.539, $p<0.05$, significant).

5.2 Results for H2a, H2b and H2c

In H2, the study predicted that three dimensions of internal social capital mediates the relationship between geographic diversity and international performance. According to Baron and Kenny's (1986) four-step procedure, the first result revealed is direct relationships between geographic diversity and trust (Model 2, β=.532, $p<0.05$), social interaction (Model 4, β=.682, $p<0.01$) and shared vision (Model 6, β=.288, not significant). Without a significant direct effect from geographic diversity to shared vision, the hypothesized mediating role for shared vision would not be supported. Second, significant direct relationship between geographic diversity and international performance when the role of internal social capital were not accounted for (Model 8, β=.451, $p<0.1$; Model 14, β=539, $p<0.05$) is revealed. Third, direct relationships between geographic diversity and international performance when the effect of trust, social interaction and shared vision were included were examined. For intrafirm trust, the direct relationship is insignificant when the dependent variable is international market performance (Model 9, β=.330, not significant), indicating a full mediating effect. When the dependent variable is international investment return, the direct relationship is weakened compared to the direct relationship in Model 14, but still significant under 90% confidence level (Model 15, β=.440, $p<0.1$). Therefore, the results support that trust mediates the geographic diversity-international performance relationship. More specifically, intrafirm trust fully mediates the relationship between geographic diversity and international market performance, and partially mediates the relationship between geographic diversity and international investment return. For social interaction, the two direct relationships were all insignificant (Model 19, β=.225, not significant; Model 25, β=.344, not significant) when the dependent variable is measured in both ways. The mediating role of social interaction is supported for the baseline relationship, regardless of the dependent variable.

[Insert Table 5.2-5.5 about here]

The Sobel test results were presented in Table 5.6. As we can interpret from the results, the mediation role of intrafirm trust is significant when the dependent variable is international market performance ($t=1.88$, $p<0.1$). But it becomes insignificant when the dependent variable is international investment return ($t=1.66$, not significant). The mediation effect of social interaction is significant for both measures of dependent variable ($t=2.57$, $p<0.01$; $t=2.35$, $p<0.05$). The mediation role of shared vision is insignificant ($t=1.25$, not significant; $t=1.06$, not significant).

[Insert Table 5.6 about here]

Furthermore, Preacher and Hayes's (2004) bootstrapping procedure yielded a consistent result with the abovementioned two methods. Table 5.7 contains the bias-corrected bootstrapping indexes, standard deviations and confidence intervals of the indirect effect of the three mediators using 1000 random samples and replacement from the full sample (Shrout & Bolger, 2002). At 95% confidence level, we have the following results: (1) the indirect effect of social interaction is significant for the geographic diversity-international market performance relationship (CI=(0.059, 0.445) does not include zero) and the geographic diversity-international investment return relationship (CI=(0.034, 0.426) does not include zero); (2) the indirect effect of trust is significant only for the geographic diversity-international market performance relationship (CI=(0.006, 0.287) does not include zero); (3) and shared vision has insignificant indirect effect for both relationships.

[Insert Table 5.7 about here]

To sum up the results for mediation, from the aforementioned methods, we can see that H2b is supported and H2c is not supported. For H2a, whether the mediating effect is significant depends on the choice of measure of international performance. On one hand, when the performance metrics focused on the foreign market performance, the mediating role of intrafirm trust was significant. On the other hand, when the performance was calibrated in terms of investment return, the mediating role was attenuated.

5.3 Results for H3a and H3b

For the second stage moderated mediation test regarding H3a and H3b, three steps are proceeded as recommended by Hernandez and Guarana (2018). First, to test for the significance of interactions in latent variables, we refer to the regression results. When intrafirm trust is the mediator and the dependent variable is international market performance, we can see a significant interaction between intrafirm trust and organizational formality (Model 10, $\beta=-.173$, $p<0.1$), but insignificant interaction between intrafirm trust and role concentration (Model 11, $\beta=-.138$, not significant). When the dependent variable is international investment return, conversely, the interaction effects between intrafirm trust and role concentration is significant (Model 17, $\beta=-.176$, $p<0.1$), and the interaction effect between intrafirm trust and organizational formality is insignificant (Model 16, $\beta=-.155$, not significant). When social interaction acts as the mediator, from Model 21 and Model 25, we can see that the interaction terms of role concentration and social interaction are significant for both measures of international performance (Model 21, $\beta=-.222$, $p<0.05$; Model 25, $\beta=-.228$, $p<0.05$). But we could see no significant result for the interaction term of organizational formality and social interaction for either measure of performance (Model 20, $\beta=-.070$, not significant; Model 24, $\beta=-.006$, not significant). Furthermore, we have revealed that

H2c is not supported, so there should be no moderated mediation effect when the mediator is shared vision. These results provide preliminary support for H3a and H3b.

In the next step, with ordinary least squares regressions, this thesis performed simple slope analyses to visualize the moderating effect to provide more robust analysis. This thesis mean-centered the independent variables (i.e. intrafirm trust, social interaction and shared vision) and the moderators (organizational formality and role concentration) according to the suggestion from Aiken, West and Reno (1991). The results are consistent with the abovementioned results. Particularly, here the significant interaction terms are presented. When the dependent variable is international market performance, the interaction terms of intrafirm trust and organizational formality (β=-.170, $p<0.1$), and social interaction and role concentration (β=-.209, $p<0.05$) are significant. When the dependent variable is international investment return, the interaction terms of intrafirm trust and organizational formality (β=-.174, $p<0.1$), and social interaction and role concentration (β=-.209, $p<0.05$) are significant. This thesis visualized the significant moderating effect, and the four graphs are shown from Figure 5.1-5.4 below.

[Insert Figure 5.1-5.4 about here]

The third step underpinned the results with a comprehensive examination. By using the method recommended by Preacher, Rucker and Hayes (2007), this thesis computed bias-corrected CIs at three selected levels of the moderators using 1000 random samples and replacement from the full sample (Shrout & Bolger, 2002). Table 5.8a to 5.8f excerpt the important parameters of the process: the moderated mediation index, its standard deviation, and the confidence intervals of the indirect effect under three different values of the moderator. When the moderated mediation confidence level does not include zero, the moderated indirect effect is supported. With this clue in mind, significant results could be seen in Table 5.8d (mediator is social interaction, moderator is role concentration). Both moderated mediation indexes are negative (-0.152 and -0.155), indicating that at lower level of role concentration, the mediating effect of social interaction is presented. Then this thesis further investigates the significant results from the above two steps when the mediator is intrafirm trust. When the dependent variable is international market performance and the moderato is organizational formality, the results from the left panel of Table 5.8a reveal that although the 95% confidence level of the moderated mediation index included 0, there is evidence showing that the mediating role of intrafirm trust became insignificant under mean and +1SD level of organizational formality. Furthermore, this thesis calibrated the confidence level and found that the interval shifted below 0 under 90% of confidence level. When the dependent variable is international investment return and moderator is role concentration, the right panel of Table 5.8b reveals a similar result. All other moderated mediation effects are insignificant.

[Insert Table 5.8a-5.8f about here]

Chapter 6 Discussion

6.1 Evaluation of Results

6.1.1 Baseline Relationship

H1: International young ventures pursue opportunities in multiple market regions to create new revenue stream and open up new growth options (Zahra et al., 2000; Reuber et al., 2018). The result from Model 8 and Model 15 strongly and universally support the hypothesis that the greater geographic diversity an international young venture postures, the better it performs in international markets. This finding is consistent with prior reports studying multinational enterprises (e.g. Hitt et al., 1997) and international new ventures (e.g. Zahra et al., 2000; Yeoh, 2004).

Only after a careful contemplation and weighing on the resources and environment would managers decide to pursue opportunities in geographically diversified markets. This is a firm-strategic proclivity considered eventually beneficial for firm performance in terms of enhanced learning opportunity and local network involvement (Barkema & Vermeulen, 1998; Ellis, 2000). Notwithstanding, the route to get there is a difficult one. As the acquisition of international knowledge does not automatically translate into strong performance, the ability to manage and integrate new knowledge and resources differentiates successful ventures from failed ones (Nonaka & Takeuchi, 1995). Theoretically, international young ventures could excel at knowledge integration and tacit knowledge transfer due to their LAN, but the accrual of these advantages needs to be braced by certain organizational provision. To harvest the financial benefit of the opportunities, international young ventures need more than the strategic intention of expanding into multiple marketplaces.

6.1.2 Mediating Effects

H2: This thesis argues that the accrual of the advantages is intimately associated with the internal social capital and its ancillary benefits. Literature advocates that researchers should clarify how different forms of social capital could facilitate certain business processes but constrain others, and how these influences combine to ultimately affect performance (Slotte-Kock & Coviello, 2010). Viewing from the mediating tests results, this thesis concludes that different dimensions of internal social capital props learning advantages for international young ventures in different ways.

H2a: The relational dimension of internal social capital of intrafirm trust mediates the relationship between geographic diversity and international market performance, but its mediating effect is weakened with international investment return. In view of Katsikeas et al. (2016), international investment return reflects the efficiency of how a certain level of sales is produced, rather than what level of sales is achieved; international market performance measures what level of sales and market share has the firm achieved in global marketplace. Intrafirm trust, as theorized in Chapter 3, serves as a low-cost mechanism for internal governance and organizational problem solving. Lowering internal cost and smooth internal procedures could potentially influence how thoroughly the decision (i.e. to reach a higher level of foreign sales and market share) is executed. However, it is implicit in these decisions that the venture may have to increase its investment in products or marketing by an order of magnitude. There is no guarantee that the return of this action would be appreciable. In a similar logic, Uzzi (1997) described the situation of "over-embeddedness" between managers. Under this circumstance, decisions may be reached too easily without real critique because of the intimate relationships between managers, and the hidden trouble could do harm to the outcomes. Thus, reaching a certain scale of international operation with less internal resistance may sacrifice the efficiency of investment.

H2b: The structural dimension of internal social capital, social interaction, fully mediates the baseline relationship regardless of the measurement for international performance. As hypothesized, social interaction provides more frequency and depth for internal knowledge transfer. When managers regard their market-specific knowledge as an asset, social interaction can "unlock" this knowledge by increasing frequency of communication and creating thoroughfare of transfer (Grant, 1996; Luo et al., 2006). This knowledge transfer benefit can increase both market performance and investment return (e.g. Tsai, 2002; Inkpen & Tsang, 2005).

H2c: The cognitive dimension of internal social capital, shared vision, does not have mediating effects for the baseline relationship. Supposedly, geographic diversity strategy may not require managers to have a shared vision, as it is difficult to shape the vision of managers with different experience and functioning roles into a common one within a short period of time. In fact, the geographic diversity strategy itself is somehow contradictory with sharing similar thoughts. When managers cultivate their distinctive cognitive frame by solving problems and immersing in a geographically distant markets, there will be differences among the managers' mental maps (Daft & Weick, 1984). Thus, geographic diversity strategy may make it difficult for the managers to share the same vision.

6.1.3 Moderating Effects

H3a: Role concentration negatively moderates the significant mediation effect. Role concentration significantly moderates the indirect effect of social interaction such that the effect of social interaction diminishes when managers working concentratedly on a specific domain. Although managers have plentiful interaction under informal social situations, a bounded work domain still constrains their exploitation of knowledge in their work because others' information is less relevant and more difficult to digest (Cohen & Levinthal, 1990). With less work overlap and information repetition, managers lose the ground of communication. The moderating role of role concentration on the mediating effect of intrafirm trust is tentative ($p<0.1$), but still the effect of intrafirm trust is attenuated. Similarly, trust, as an effective governing mechanism, may not be triggered because the need for monitoring is decreased. Managers could only act with very limited role flexibility, so that the exchange becomes occasional. Thus, monitoring becomes less relevant.

H3b: Organizational formality moderates the significant mediation effects of intrafirm trust (i.e. dependent variable is international market performance), but the moderating effect is tentative when the mediator is social interaction. Supposedly, formal rules take the place of trust and govern the relationships between managers. In this vein, managers are acting more mechanically according to the decisions and regulations from the formalized system. With or without trust between each other, managers have to behave in certain ways. When managers are socially interacting with each other under informal circumstances, the formalized rule is irrelevant because the rules are not supposed to govern such informal or non-work situations.

6.1.4 Results Summary

Hypothesis 1 is strongly supported. Geographic diversity is positively associated with international market performance and international investment return. Hypothesis 2a is partially supported. The mediating role of intrafirm is supported (i.e. full mediation) when the dependent variable is international market performance but rejected when the dependent variable is international investment return. Hypothesis 2b is supported. Social interaction fully mediates the relationship between geographic diversity and international performance. Hypothesis 2c is rejected. The mediating role of shared vision is insignificant. Hypothesis 3a is partially supported. The negative moderating role of role concentration is significant on the indirect effect of social interaction but tentative ($p<.10$) on the indirect effect of intrafirm trust. Hypothesis 3b is partially supported. The negative moderating role of organizational formality on the indirect effect of intrafirm trust is tentatively supported ($p<.10$) but rejected on the indirect effect of social interaction.

6.2 Theoretical Contributions

This thesis attempts to make the following theoretical contributions. First, as previous literature in rapid internationalization mainly focuses on the speed or the earliness of internationalization, this thesis taps on a relatively understudied dimension——scope of internationalization. As the focus of IE alters from the rapid internationalization process to the "discovery, enactment, evaluation, and exploitation of opportunities – across national borders" (Oviatt & McDougall, 2005, p. 7), the scope of the operation is considered relevant to opportunity exploitation and worthy investigating. Geographic diversity has fostered heated discussion in IE literature, and regional and global related variables are of current research interest (e.g. Wu & Zhou, 2018; Patel et al., 2016; Asakawa, Park, Song and Kim, 2018). In the light of this trend, geographic diversity, which is a critical strategic decision on which every international young venture has to contemplate, is the premier focus of this thesis. Venturing into many different countries or regions is a complicated process compared to concentrating on a limited number of geographic markets, especially when the venture is young and small (Vermeulen & Barkema, 2002). Thus, in practice, young ventures with a rapid pace of internationalization often restrict their outreach to a specific geographic region. Nevertheless, there are cases where international young ventures plumping for diverse markets have achieved a boost in growth and financial rewards. For example, advancing Internet technology and prevailing mobile devices have made companies, such as Mobike, penetrate multiple foreign markets at early stage of firm development (Chinadaily, 2017). This strikes us on further empirical and theoretical investigation on the geographic diversity of young firms. There is still a paucity of empirical examination of its important performance implications. My thesis fills the gap by studying the performance implications of geographic diversity in the context of international young ventures.

Second, the mechanism for the baseline relationship between geographic diversity and international performance has rarely been inquired. How do international young ventures capture the opportunities among multiple markets? Although multinational enterprises research has come up with valuable theoretical foundations, these perspectives may not be suitable for international young ventures due to difference in resources, capabilities and behaviour (Patel et al., 2016). Resorting to the perspective of LAN, this thesis explains the mechanism distinct to our context of international young ventures. Previous researchers have identified the critical role of learning in the diversification strategy (e.g. Yeoh, 2004; Zahra et al., 2000). LAN, a distinct theoretical perspective for international young venture, hypothetically endorses the advantages of international young ventures and counterbalances the liability of newness and foreignness in pursuit of geographic diversity strategy. However, studies have discussed its boundary conditions, and recognized that learning advantages from early internationalization is unlikely to occur automatically (Zahra et al., 2017; Zhou et al., 2010). From a learning perspective, diverse resources and knowledge gained from geographic diversification ought to be digested within the venture. This thesis proposes that internal social capital serves as an enabling factor of LAN and supplement the micro-process of the accrual of LAN. Few research studies have looked into the role of organization level, or internal social capital in the field of IE (Yli-Renko et al., 2002). Although international young ventures are granted to have relatively simple internal structures, internal social capital could be either congenital (i.e. from founding teams) or relatively attainable. By bringing in the concept of internal social capital into the field of IE, this thesis explains the underlying mechanism for the accrual of LAN when the young venture decides to go for opportunities in multiple markets. Rather, superior performance depends on appropriate senior management practice, including using trust as a governing mechanism, facilitating knowledge transfer by social interaction and creating shared vision for committed international strategy.

Third, the moderating effect of organizational structure is also examined. As these micro-processes occur within the structure, it is possible that organizational structure moderates the effects of these micro-processes. International young ventures are presumed to have early stage formalized system, and relatively unestablished decision-making procedures. Based on principal-agent theory, this thesis proffers the substitution effect of formal organizational rules over internal social capital. Nevertheless, not without cost is this substitution. Formalized rules may limit the scope of the decisions due to administrative control. Adherence to formal rules may inhibit creativity, and the evaluation of international opportunities may be hindered by the rituals (Miller, 1987). With less cost, more flexibility and higher motivation compared to formal rules, internal social capital may be an appropriate choice of monitoring mechanism for international young ventures. Moreover, this thesis asserts that role concentration may limit the benefit of internal social capital. Role concentration could enhance work efficiency by specializing the role of managers, and contribute to role differentiation between managers. This is helpful for enhancing work efficiency. However, it seemingly curbs the communication between managers from its moderating effect. Indeed, role concentration limits the range of information exposed to a manager. This creates difficulty for both the transfer of individual knowledge to organizational knowledge and the synergy for innovation. In fact, it is the overlapping managerial roles that characterize international young ventures. This makes mutual learning feasible and desirable (Sapienza et al., 2006). Role concentration would obstruct this internal social exchange process, making it difficult to achieve any learning advantages.

6.3 Managerial Implications

This thesis empirically examined the remarkable effect of geographic diversity on international performance. From the micro-level, some managerial implications could be proposed. Managers of international young ventures typically choose to stay in regional markets and follow the low-control entry mode of exporting (Lopez et al., 2009). With adequate managerial practice and entrepreneurial strategic posture, managers could try to broaden their foreign market portfolio in pursuit of international opportunities (Zhou et al., 2010). If a venture chooses this strategy, it may yield a greater chance and more benefit in the long run. The knowledge and resources accessed across regions are valuable to the growth of the young venture. However, this implies no crude or rush moves. For short term survival, geographic diversity poses potential threats for young ventures, because mastering the rules of living across different regions and cultural environments is tough. There would be significant coordination costs related to uncertainty in the markets that the venture is not familiar with. Thus, capturing growth opportunities becomes very important. In exposure of a kaleidoscope of opportunities, it is pivotal for managers to recognize the value of new, external knowledge, and consequently deploy their resources effectively to pursue those opportunities (Wiklund & Shepherd, 2003). The more diverse resources and information the venture acquires, the more complicated the digestion process will be. This process indeed is a social exchange process between managers, and requires reduced internal politics, free flow of knowledge and committed international strategy. To achieve this, the cultivation of internal social capital is important. Internal social capital could be congenital, as the founding team members may have shared experiences together, and managers are already equipped with trusting bonds, informal relationships and a committed vision (Bruneel, Clarysse & Autio, 2018). If not, top management teams could also garner internal social capital after establishing the venture, by cultivating trusting relationships, interacting vigorously in all kinds of occasions and aligning managers toward the same goal. As a result, going after multiple foreign markets necessitates the successful utilization of internal resources and efficient management of the social environment within the firm.

To some degree, although formalized decision-making systems can put up a facade, young ventures should not rely heavily on rituals. Formalized system institutionalized from existing knowledge makes standardized decisions; it tends to bias the venture's problem-solving activities toward decision sets that have previously proved useful (Kang & Snell, 2009). One of the advantages of young ventures is that they stay in the "status of flux" (Renko et al., 2016). They are flexible, eager to learn and innovative. They could learn rapidly and improvise ingenious solutions to customers' problems. Furthermore, managers should attempt to keep their role flexible rather than concentrated. When managers wear different functional hats, they are more motivated to communicate and leverage their own resources to benefit others (De Clercq et al., 2014).

From a macro-level, some implications could also help the government and policy makers to better cultivate start-ups and promote their growth. The recent Belt and Road Initiative of the Chinese government encourages firms to venture across borders, and thus how policies manage to help young ventures grow in foreign markets becomes a relevant topic. Emerging markets, such as China, may have incomplete sets of commercial rules, and exhibit a low-trust business environment (Cai, Jun, & Yang, 2010). In view of this thesis, the government could arrange various seminars and events for the managers or founders of early-stage ventures. This could not only enhance their knowledge and intelligence toward foreign business environments, but also provide them with chances of building connections and bonds with each other. By emphasizing trust and laying the ground of interactions, the government could assist and support some young ventures to expand into multiple foreign markets. Besides, financial reimbursement support that values soft-skills and social capital may be considered by the policy makers.

Chapter 7 Limitations and Future Research

7.1 Current Limitations

Although this thesis enhances our understanding of not only young venture internationalization scope but also the impact of internal social capital on learning from geographic diversity strategy, there are several limitations to this thesis that it is important to acknowledge.

First, this dataset was collected in 2010. Due to financial and time limitation, we are unable to collect up-to-date dataset to test the hypotheses. Nowadays, more and more SMEs are internationalizing in a diverse way, and the pattern of internationalization has changed over the past decade. With the rapid development of Internet technology, firms can pursue diversification strategy with reduced cost (Autio, 2017). The recent rise of digital economy offers unprecedented opportunities for young ventures to expand into foreign markets (Shaheer & Li, 2018). Although geographic distance, together with other cross-national distances, has been conceptualized as a determent to start-up internationalization in IE research, many ventures can penetrate a number of foreign markets by launching digital innovations, which become instantly available across the globe via online platforms. Our current dataset does not include those ventures and has limited explanatory power regarding the trends and patterns of internet-enabled ventures' internationalization in the past decade.

Second, the sample of this dataset mainly focused on privately-owned manufacturing firms. As this dataset does not include sufficient service companies, this conclusion may not be generalizable to the service sector. Although previous studies in a similar topic have adopted a mix of manufacturing companies and service companies (e.g. Zahra et al., 2000; Yeoh, 2004), this thesis has to admit that service companies may internationalize using a different approach. They penetrate international markets via the upgraded telecommunication tools easily and do not rely heavily on physical exporting as the traditional manufacturers do. They may display a higher propensity to go for diverse markets with their business model replicable in multiple global marketplaces. For example, information technology new ventures cluster their headquarters in a concentrated area to attain critical resources to expand their geographic scope rapidly (Fernhaber, Gilbert, & McDougall, 2008). Such pattern exhibited in information service industry could be different from the pattern of manufacturers. The benefits and costs of adopting a geographic diversity strategy could be viewed in a different way. Thus, the dataset may not be representative for service sector.

Third, the results from the analysis may suffer from the issue of survival bias (Sapienza et al., 2006). The probability of long-term survival for international young ventures has always been an important issue (Zahra, 2005), and empirical investigations into those ventures should address that researchers are examining the survived ventures. This thesis is no exception. Nevertheless, some observations could alleviate such concern. First, the average age of the sample firms is 5.6 years old, and more than 70% of the firms have survived over 3 years. This suggests that most of the surveyed firms have gone through the critical period of survival. Second, recent research indicates that small, young ventures are as rational as large firms and are able to pursue strategic choices that best fit their resource endowment and environment conditions (Mudambi & Zahra, 2007). For example, Sui and Baum (2014) found that neither born-global nor born-regional strategy has a statistically significant effect on firm export market survival. These evidences somehow suggest that the survival of the venture would not significantly influence the thesis's theoretical framework.

Fourth, as the research context is based only on China, institutional or cultural interference may occur within the conceptual framework. This thesis intends to apply the proposed theoretical arguments for a general context, not a country specific one. However, several concerns of using a single-country data should be addressed. First, in the Chinese venture management context, the "dictatorship" of the owner managers is a significant characteristic of young SMEs (Cunningham & Rowley, 2010). In some cases, most strategies are developed by the owners themselves, based on strong indigenous Chinese characteristics. With such dictatorial leadership, the learning, knowledge sharing and transfer, and relationships among managers may not be relevant to the final decision. While Chinese leadership style could influence the decision making and strategic orientation of international young ventures, the context of internal social capital is the relationships among the managers. Oftentimes, the co-founders of those small, young ventures participate in the management of the firm as a founding team. In this situation, decisions are made democratically, and each manager or co-founder brings in his or her talent and experience in managing the firm (Reuber and Fischer, 1997). Second, this thesis has to admit that the location of the sampling may have critical implications. Although the sampling firms were located in China, which is an emerging market context, the coastal region of Zhejiang province exhibits certain traits similar with some aspects of developed market. With a relatively complete and stable legal system encouraging entrepreneurship and GDP per capita over $7500 USD in 2010 (Statistical Yearbook of Zhejiang, 2011), the sample firms resembled developed market ventures. This observation could help enhance the generalizability of our conclusions. Furthermore, young ventures clustered in a region active in entrepreneurial activities tend to make similar decisions, and industry clusters in that region may influence the behavior of the firms.

Fifth, in the sample, 80% of the ventures are exporting firms. Although this thesis included a dummy variable indicating whether the firm is an exporter in the regression models, little is known about the ventures internationalizing with other entry mode from the results because the export dummy variable is insignificant in the regression models. One of the major characteristics of internationalizing SMEs compared with MNE is the predominant use of exporting since it is the simplest form of outward internationalization (Cieślik, Kaciak, & Welsh, 2012). As the foreign market entry mode choice determines the level of resource commitment and risk a firm bears in its foreign market activities, exporting as a relatively low commitment and low risk entry mode is preferred by international young ventures (Hill, Hwang, & Kim, 1990; Cieślik, Kaciak, & Thongpapanl, 2015). Although international young ventures enjoy lower resource commitment by exporting, they would suffer from a lower level of control over foreign market and may be exposed to the danger of ex post opportunistic behaviours (Hill et al., 1990). From a learning perspective, exporting as a less complicated entry mode could bring relatively reduced learning opportunities of the foreign markets compared with high-commitment entry mode like international joint venture or foreign subsidiary because exporting requires less involvement in foreign markets and less interaction with local business environment compared with other entry modes. Nevertheless, studies provide evidences that learning from repeatedly adopting exporting as an entry mode into multiple foreign markets implies deep knowledge as accumulated experiential knowledge for exporting can result in the development and refinement of specific processes and routines on which the venture can draw in subsequent expansion the geographic scope by continuing exporting (Gao, Pan, Lu, & Tao, 2008; Schwens, Zapkau, Brouthers, & Hollender, 2018). Although the majority of the sample is made up of exporting firms, the theoretical framework is still accountable for the ventures adopting a consecutive use of exporting into diverse geographic markets.

Sixth, several important limitations in the accordance between the theoretical arguments and modelled variables should be addressed. First, although this thesis adopts the learning perspective/behavioural approach as the theoretical foundation, the actual learning efforts or outcomes are not directly measured in the model. What do the international young ventures learn? How do they build up their learning advantages? The learning content and the way of learning are not documented in the model directly due to the limitation of the dataset. Relatedly, this thesis explained the mediating mechanism of internal social capital by pointing out that internal social capital can serve as an alternative monitoring mechanism, reduce the internal transaction cost, increase the width and depth of knowledge transfer and increase the commitments towards international strategy. Nevertheless, these factors are not directly modelled, and this could cast the doubts that whether these factors are working in place and whether there are other unaccounted factors that matter to the mediating mechanism.

Seventh, there are some limitations in the construct measurement. First, this study cross-sectionalized into a series of dynamic concepts (e.g. internal social capital, organizational formality, role concentration). The snapshot nature of cross-sectional measurement limits the ability of this thesis to examine how geographic diversity strategy unfolds in the internationalization process (De Clercq et al., 2012). For an accurate analysis of these variables, it is required to measure specific organizational situations in time rather than generally over time. Skarmeas, Katsikeas and Schlegelmilch (2002) recommended using an additional time lag in data collection. However, this is not possible due to the difficulties of following up and accessing future data. Second, this thesis adopted self-evaluated performance measure as the outcome variable due to the data limitation of small young ventures. Future studies may develop dependent variables based on secondary data to generalize the conclusions. Third, the independent variable, geographic diversity, was measured based on the subjective weights that the respondent appointed to each regional market. Although this measurement could reveal the managerial intention, this may not truly reflect the consensus of the management team because it was the response from one single manager. The respondents could lean toward certain markets bias. This was the major drawback compared with the objective measurements.

7.2 Future Research Direction

This thesis also points out the future research directions based on the conceptual framework, limitations addressed above, and trending IE topics.

First, cross-country research designs could provide enhanced understanding on the relative importance of internal social capital that facilitates young ventures' expansion across different institutional and cultural contexts. Future research can sample from multiple regions, both developed countries and developing countries, and collect longitudinal data to better reveal the pattern and generalize the conclusion of this thesis.

Second, as the ongoing digitalization is dramatically changing patterns of entrepreneurial opportunity pursuit across borders, it would be interesting to extend this framework into digital-enabled ventures. A rapidly increasing number of these ventures expressly design their business models around digital platforms. They can utilize Internet to bypass local intermediaries and reach and interact with customers in foreign markets. Despite this trend, the IE literature has paid insufficient attention to this phenomenon (Reuber & Fischer, 2011). Related to this thesis, future research could investigate the outcomes of adopting such geographic diversity strategy in the digital era. It is interesting to look at whether young ventures can derive enhanced benefits from this strategy because of the lower cost and flexibilities in adopting Information and Communications Technology.

Third, whether this framework applies to young ventures adopting entry mode other than exporting is another plausible topic. Recent IE scholars are looking at the firm called micro-multinationals (mMNEs), which refers to the SMEs employing advanced (non-exporting) foreign market servicing modes to tap into opportunities abroad (Dimitratos, Johnson, Slow, & Young, 2003). Researchers are challenging the traditional notion that smaller firms are best suited to focus extensively on exporting because of their resource constraints (Prashantham, 2011). It seems to be difficult for small, young ventures to attain a diverse market portfolio and an extensive use of high-commitment entry mode simultaneously. However, recent study suggests that young ventures can gain knowledge and experience of specific entry mode and apply such non-location bounded knowledge into diverse market (Schwens et al., 2018). Thus, the relationship between entry mode choice and geographic scope could be an interesting topic in future study.

Reference

Adler, P. S., & Borys, B. (1996). Two types of bureaucracy: Enabling and coercive. *Administrative science quarterly*, 61-89.

Adler, P. S., & Kwon, S. W. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, *27*(1), 17-40.

Aiken, L. S., West, S. G., & Reno, R. R. (1991). *Multiple regression: Testing and Interpreting Interactions*. Sage.

Almodóvar, P., & Rugman, A. M. (2014). The M curve and the performance of Spanish international new ventures. *British Journal of Management, 25*(S1).

Alvarez, S. A., & Barney, J. B. (2007). Discovery and creation: Alternative theories of entrepreneurial action. *Strategic Entrepreneurship Journal*, *1*(1- 2), 11-26.

Anderson, J. C., & Gerbing, D. W. (1988). Structural equation modeling in practice: A review and recommended two-step approach. *Psychological Bulletin*, *103*(3), 411.

Argyris, C., & Schon, D. (1978). Organizational learning: A theory of action approach. Reading, MA: Addision Wesley.

Asakawa, K., Park, Y., Song, J., & Kim, S. J. (2018). Internal embeddedness, geographic distance, and global knowledge sourcing by overseas subsidiaries. *Journal of International Business Studies*, *49*(6), 743-752.

Atuahene-Gima, K., & Murray, J. Y. (2007). Exploratory and exploitative learning in new product development: A social capital perspective on new technology ventures in China. *Journal of International Marketing*, *15*(02), 1-29.

Autio, E. (2017). Growth of Technology- based New Firms. *The Blackwell handbook of entrepreneurship*, 329-347.

Autio, E., Sapienza, H. J., & Almeida, J. G. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of management journal*, *43*(5), 909-924.

Ayal, I., & Zif, J. (1979). Market expansion strategies in multinational marketing. *The Journal of Marketing*, 84-94.

Bagozzi, R. P., & Yi, Y. (1988). On the evaluation of structural equation models. *Journal of the academy of marketing science*, *16*(1), 74-94.

Barkema, H. G., & Vermeulen, F. (1998). International expansion through start-up or acquisition: A learning perspective. *Academy of Management journal*, *41*(1), 7-26.

Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, *51*(6), 1173.

Bausch, A., & Krist, M. (2007). The effect of context-related moderators on the internationalization-performance relationship: Evidence from meta-analysis. *Management International Review*, *47(*3), 319-347.

Beamish, P. W., & Lee, C. (2003). The characteristics and performance of affiliates of small and medium-size multinational enterprises in an emerging market. *Journal of International Entrepreneurship*, *1*(1), 121-134.

Bettis, R. A., & Prahalad, C. K. (1995). The dominant logic: Retrospective and extension. *Strategic Management Journal*, *16*(1), 5-14.

Bourdieu, P. (1986). The force of law: Toward a sociology of the juridical field. *Hastings LJ*, *38*, 805.

Bradach, J. L., & Eccles, R. G. (1989). Price, authority, and trust: From ideal types to plural forms. *Annual Review of Sociology*, *15*(1), 97-118.

Braun, D., & Guston, D. H. (2003). Principal-agent theory and research policy: an introduction. *Science and Public Policy*, *30*(5), 302-308.

Brislin, R. W., Lonner, W., & Thorndike, R. (1973). Cross-cultural methods. *Publication John Wiley and Sons*, *New York*.

Brown, J. S., & Duguid, P. (2001). Knowledge and organization: A social-practice perspective. *Organization Science*, *12*(2), 198-213.

Bruneel, J., Clarysse, B., & Autio, E. (2018). The role of prior domestic experience and prior shared experience in young firm internationalization. *International Small Business Journal*, *36*(3), 265-284.

Brush, C. (1992). Factors Motivating Small Firms to Internationalize: The Effect of Firm Age. unpublished doctoral dissertation. *Boston University*.

Bstieler, L. (2006). Trust formation in collaborative new product development. *Journal of Product Innovation Management*, *23*(1), 56-72.

Buckley, P. J., & Casson, M. C. (1998). Analyzing foreign market entry strategies: Extending the internalization approach. *Journal of International Business Studies*, *29*(3), 539-561.

Burt, R. S. (1992). Structural Holes: The Social Structure of Competition. Harvard University Press, Cambridge, MA.

Burt, R. S. (1997). 'The contingent value of social capital', *Administrative Science Quarterly*, 42, pp. 339–365.

Cai, S., Jun, M., & Yang, Z. (2010). Implementing supply chain information integration in China: The role of institutional forces and trust. *Journal of Operations Management*, *28*(3), 257-268.

Capar, N., & Kotabe, M. (2003). The relationship between international diversification and performance in service firms. *Journal of International Business Studies*, *34*(4), 345-355.

Carlson, S. (1966). International business research. *Acta Universitatis Upsaliensis.*

Carney, M., Gedajlovic, E., & Yang, X. (2009). Varieties of Asian capitalism: Toward an institutional theory of Asian enterprise. *Asia Pacific Journal of Management*, *26*(3), 361-380.

Carter, R. K. (1971). Clients' resistance to negative findings and the latent conservative function of evaluation studies. *The American Sociologist*, 118-124.

Cavusgil, S. T., & Knight, G. (2015). The born global firm: An entrepreneurial and capabilities perspective on early and rapid internationalization. *Journal of International Business Studies*, *46*(1), 3-16.

Cieślik, J., Kaciak, E., & Thongpapanl, N. T. (2015). Effect of export experience and market scope strategy on export performance: Evidence from Poland. *International Business Review*, *24*(5), 772-780.

Cieślik, J., Kaciak, E., & Welsh, D. H. (2012). The impact of geographic diversification on export performance of small and medium-sized enterprises (SMEs). *Journal of International Entrepreneurship*, *10*(1), 70-93.

Chandler, G. N., & Hanks, S. H. (1993). Measuring the performance of emerging businesses: A validation study. *Journal of Business venturing*, *8*(5), 391-408.

Chandra, Y., Styles, C., & Wilkinson, I. (2009). The recognition of first time international entrepreneurial opportunities: Evidence from firms in knowledge-based industries. *International Marketing Review*, *26*(1), 30-61.

Clark, D. R., Li, D., & Shepherd, D. A. (2018). Country familiarity in the initial stage of foreign market selection. *Journal of International Business Studies*, *49*(4), 442-472.tall

Cohen, J., Cohen, P., West, S. G., & Aiken, L. S. (2013). *Applied multiple regression/correlation analysis for the behavioral sciences*. Routledge.

Cohen, W. M., & Levinthal, D. A. 1990. Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 35: 128-152

Coleman, J. S. (1988). Social capital in the creation of human capital. *American journal of sociology*, *94*, S95-S120.

Coleman, J. S. 1990. Foundations of social theory. Cambridge: Harvard University Press.

Collins, J. M. (1990). A market performance comparison of US firms active in domestic, developed and developing countries. *Journal of International Business Studies*, *21*(2), 271-287.

Contractor, F. J., Kundu, S. K., & Hsu, C. C. (2003). A three-stage theory of international expansion: The link between multinationality and performance in the service sector. *Journal of International Business Studies*, *34*(1), 5-18.

Coviello, N. E., & Cox, M. P. (2006). The resource dynamics of international new venture networks. *Journal of International Entrepreneurship*, *4*(2-3), 113-132.

Coviello, N. E., & Jones, M. V. (2004). Methodological issues in international entrepreneurship research. *Journal of Business Venturing*, *19*(4), 485-508.

Coviello, N. E., McDougall, P. P., & Oviatt, B. M. (2011). The emergence, advance and future of international entrepreneurship research—An introduction to the special forum. *Journal of Business Venturing*, *26*(6), 625-631.

Coviello, N., & Munro, H. (1997). Network relationships and the internationalisation process of small software firms. *International Business Review*, *6*(4), 361-386.

Coviello, N. (2015). Re-thinking research on born globals. *Journal of International Business Studies*, *46*(1), 17-26.

Coviello, N. E. (2006). The network dynamics of international new ventures. *Journal of International Business Studies*, *37*(5), 713-731.

Cunningham, L. X., & Rowley, C. (2010). Small and medium-sized enterprises in China: a literature review, human resource management and suggestions for further research. *Asia Pacific Business Review*, *16*(3), 319-337.

Cyert, R. M., & March, J. G. (1963). A behavioral theory of the firm. Englewood Cliffs, NJ, 2, 169-187.

Daft, R. L., & Weick, K. E. (1984). Toward a model of organizations as interpretation systems. *Academy of Management Review*, *9*(2), 284-295.

Dai, L., Maksimov, V., Gilbert, B. A., & Fernhaber, S. A. (2014). Entrepreneurial orientation and international scope: The differential roles of innovativeness, proactiveness, and risk-taking. *Journal of Business Venturing*, *29*(4), 511-524.

De Clercq, D., Bouckenooghe, D., Raja, U., & Matsyborska, G. (2014). Unpacking the goal congruence–organizational deviance relationship: The roles of work engagement and emotional intelligence. *Journal of Business Ethics*, *124*(4), 695-711.

De Clercq, D., Dimov, D., & Thongpapanl, N. T. (2013). Organizational social capital, formalization, and internal knowledge sharing in entrepreneurial orientation formation. *Entrepreneurship Theory and Practice*, *37*(3), 505-537.

De Clercq, D., Dimov, D., & Thongpapanl, N. T. (2010). The moderating impact of internal social exchange processes on the entrepreneurial orientation–performance relationship. *Journal of Business Venturing*, *25*(1), 87-103.

De Clercq, D., & Sapienza, H. J. (2006). Effects of relational capital and commitment on venture capitalists' perception of portfolio company performance. *Journal of Business Venturing*, *21*(3), 326-347.

De Clercq, D., Sapienza, H. J., Yavuz, R. I., & Zhou, L. (2012). Learning and knowledge in early internationalization research: Past accomplishments and future directions. *Journal of Business Venturing*, *27*(1), 143-165.

De Clercq, D., Sapienza, H. J., & Zhou, L. (2014). Entrepreneurial strategic posture and learning effort in international ventures: The moderating roles of operational flexibilities. *International Business Review*, *23*(5), 981-992.

De Clercq, D., Thongpapanl, N. T., & Dimov, D. (2011). A closer look at cross- functional collaboration and product innovativeness: contingency effects of structural and relational context. *Journal of Product Innovation Management*, *28*(5), 680-697.

De Clercq, D., & Zhou, L. (2014). Entrepreneurial strategic posture and performance in foreign markets: the critical role of international learning effort. *Journal of International Marketing*, *22*(2), 47-67.

De Clercq, D., Zhou, L., & Wu, A. (2016). Unpacking the relationship between young ventures' international learning effort and performance in the context of an emerging economy. *International Entrepreneurship and Management Journal*, *12*(1), 47-66.

Dhanaraj, C., Lyles, M. A., Steensma, H. K., & Tihanyi, L. (2004). Managing tacit and explicit knowledge transfer in IJVs: the role of relational embeddedness and the impact on performance. *Journal of International Business Studies*, *35*(5), 428-442.

Dierickx, I., & Cool, K. (1989). Asset Stock Accumulation and the Sustainability of Competitive Advantage: Reply. *Management Science*, *35*(12).

Dimitratos, P., Johnson, J., Slow, J., & Young, S. (2003). Micromultinationals: New Types of Firms for the Global Competitive Landscape. *European Management Journal*, *21*(2), 164-174.

Dore, R. (1983). Goodwill and the spirit of market capitalism. *The British Journal of Sociology*, *34*(4), 459-482.

Duncan, R. B., & Weiss, A. (1979) Organizational learning: Implications for organizational design. In B. Staw (Ed.), Research in organizational behavior (pp. 75-123). Greenwich, CT: JAI Press.

Dunning, J. H. (1980). Toward an eclectic theory of international production: Some empirical tests. *Journal of International Business Studies*, *11*(1), 9-31.

Dyer, J. H., & Chu, W. (2003). The role of trustworthiness in reducing transaction costs and improving performance: Empirical evidence from the United States, Japan, and Korea. *Organization Science*, *14*(1), 57-68.

Dyer, J. H., & Singh, H. (1998). The relational view: Cooperative strategy and sources of interorganizational competitive advantage. *Academy of Management Review*, *23*(4), 660-679.

Dyer, B., & Song, X. M. (1998). Innovation strategy and sanctioned conflict: a new edge in innovation? *Journal of Product Innovation Management*, *15*(6), 505-519.

Eckhardt, J. T., & Shane, S. A. (2003). Opportunities and entrepreneurship. *Journal of Management*, *29*(3), 333-349.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, *14*(1), 57-74.

Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: what are they? *Strategic Management Journal*, *21*(10- 11), 1105-1121.

Ellis, P., & Pecotich, A. (2001). Social factors influencing export initiation in small and medium-sized enterprises. *Journal of Marketing Research*, *38*(1), 119-130.

Ellis, P. (2000). Social ties and foreign market entry. *Journal of International Business Studies*, *31*(3), 443-469.

Eriksson, K., Johanson, J., Majkgård, A., & Sharma, D. D. (1997). Experiential knowledge and costs in the internationalization process. *Journal of International Business Studies, 28*(2), 337-360.

Erramilli, M. K., & D'Souza, D. E. (1993). Venturing into foreign markets: The case of the small service firm. *Entrepreneurship Theory and Practice*, *17*(4), 29-41.

Fernhaber, S. A., Gilbert, B. A., & McDougall, P. P. (2008). International Entrepreneurship and Geographic Location: An Empirical Examination of New Venture Internationalization. *Journal of International Business Studies*, 267-290.

Fiol, C. M., & Lyles, M. A. (1985). Organizational learning. *Academy of Management Review*, *10*(4), 803-813.

Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 39-50.

Forsgren, M. (2002). The concept of learning in the Uppsala internationalization process model: a critical review. *International Business Review*, *11*(3), 257-277.

Fox, A. (1974). *Beyond contract: Work, power and trust relations*. Faber & Faber.

Franko, L. G. (1989). Global corporate competition: Who's winning, who's losing, and the R&D factor as one reason why. *Strategic Management Journal*, *10*(5), 449-474.

Gao, G. Y., Pan, Y., Lu, J., & Tao, Z. (2008). Performance of multinational firms' subsidiaries: Influences of cumulative experience. *Management International Review, 48*(6), 749-768.

Geringer, J. M., Tallman, S., & Olsen, D. M. (2000). Product and international diversification among Japanese multinational firms. *Strategic Management Journal*, *21*(1), 51-80.

Ghoshal, S. (1987). Global strategy: An organizing framework. *Strategic management journal*, *8*(5), 425-440.

Granovetter, M. (1983). The strength of weak ties: A network theory revisited. *Sociological Theory*, 201-233.

Grant, R. M., Jammine, A. P., & Thomas, H. (1988). Diversity, diversification, and profitability among British manufacturing companies, 1972–1984. *Academy of Management Journal*, *31*(4), 771-801.

Grant, R. M. (1996). Toward a knowledge- based theory of the firm. *Strategic Management Journal*, *17*(S2), 109-122.

Green, M. C., & Brock, T. C. (2005). Organizational membership versus informal interaction: Contributions to skills and perceptions that build social capital. *Political Psychology*, *26*(1), 1-25.

Gupta, A. K., Govindarajan, V., & Malhotra, A. (1999). Feedback- seeking behavior within multinational corporations. *Strategic Management Journal*, *20*(3), 205-222.

Hamel, G., & Prahalad, C. K. (1985). Do you really have a global strategy? *The International Executive*, *27*(3), 13-14.

Han, M. (2006). Developing social capital to achieve superior internationalization: A conceptual model. *Journal of International Entrepreneurship, 4*(2-3), 99-112.

Hashai, N. (2011). Sequencing the expansion of geographic scope and foreign operations by "born global" firms. *Journal of International Business Studies*, *42*(8), 995-1015.

Haynie, J. M., Shepherd, D., Mosakowski, E., & Earley, P. C. (2010). A situated metacognitive model of the entrepreneurial mindset. *Journal of Business Venturing, 25*(2), 217-229.

Hernandez, M., & Guarana, C. L. (2018). An examination of the temporal intricacies of job engagement. *Journal of Management*, *44*(5), 1711-1735.

Hill, C. W., Hwang, P., & Kim, W. C. (1990). An eclectic theory of the choice of international entry mode. *Strategic management journal*, *11*(2), 117-128.

Hilmersson, M. (2014). Experiential knowledge types and profiles of internationalising small and medium-sized enterprises. *International Small Business Journal*, *32*(7), 802-817.

Hilmersson, M., & Jansson, H. (2012). Reducing uncertainty in the emerging market entry process: on the relationship among international experiential knowledge, institutional distance, and uncertainty. *Journal of International Marketing*, *20*(4), 96-110.

Hilmersson, M., Johanson, M., Lundberg, H., & Papaioannou, S. (2017). Time, temporality, and internationalization: the relationship among point in time of, time to, and speed of international expansion. *Journal of International Marketing*, *25*(1), 22-45.

Hitt, M. A., Hoskisson, R. E., & Kim, H. (1997). International diversification: Effects on innovation and firm performance in product-diversified firms. *Academy of Management Journal*, *40*(4), 767-798.

Hitt, M. A., Lee, H. U., & Yucel, E. (2002). The importance of social capital to the management of multinational enterprises: Relational networks among Asian and Western firms. *Asia Pacific Journal of Management*, *19*(2-3), 353-372.

Hitt, M. A., Tihanyi, L., Miller, T., & Connelly, B. (2006). International diversification: Antecedents, outcomes, and moderators. *Journal of Management*, *32*(6), 831-867.

Hohenthal, J., Johanson, J., & Johanson, M. (2003). Market discovery and the international expansion of the firm. *International Business Review*, *12*(6), 659-672.

Huber, G. P. (1991). Organizational learning: The contributing processes and the literatures. *Organization science*, *2*(1), 88-115.

Hult, G. T. M., Ketchen, D. J., Griffith, D. A., Chabowski, B. R., Hamman, M. K., Dykes, B. J., ... & Cavusgil, S. T. (2008). An assessment of the measurement of performance in international business research. *Journal of International Business Studies*, *39*(6), 1064-1080.

Hutzschenreuter, T., Pedersen, T., & Volberda, H. W. 2007. The role of path dependency and managerial intentionality: A perspective on international business research. *Journal of International Business Studies*, *38*(7): 1055–1068.

Hymer, S. H. 1976. The international operations of national firms: A study of direct investment. Cambridge, MA: MIT Press.

Inkpen, A. C., & Tsang, E. W. (2005). Social capital, networks, and knowledge transfer. *Academy of Management Review*, *30*(1), 146-165.

Ismail, N. A., & Kuivalainen, O. (2015). The effect of internal capabilities and external environment on small-and medium-sized enterprises' international performance and the role of the foreign market scope: The case of the Malaysian halal food industry. *Journal of International Entrepreneurship*, *13(*4), 418-451.

Jantunen, A., Puumalainen, K., Saarenketo, S., & Kyläheiko, K. (2005). Entrepreneurial orientation, dynamic capabilities and international performance. *Journal of International Entrepreneurship*, *3*(3), 223-243.

Jaworski, B. J., & Kohli, A. K. (1993). Market orientation: antecedents and consequences. *The Journal of marketing*, 53-70.

Johanson, J., & Vahlne, J. (1977). The internationalization process of the firm-A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, *8*(1), 23-32.

Johanson, J., & Vahlne, J. E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, *40*(9), 1411-1431.

Johanson, J., & Wiedersheim- Paul, F. (1975). The internationalization of the firm—four Swedish cases. *Journal of Management Studies*, *12*(3), 305-323.

Jones, M. V., & Coviello, N. E. (2005). Internationalisation: conceptualising an entrepreneurial process of behaviour in time. *Journal of International Business Studies*, *36*(3), 284-303.

Jones, M. V., Coviello, N., & Tang, Y. K. (2011). International entrepreneurship research (1989–2009): a domain ontology and thematic analysis. *Journal of Business Venturing*, *26*(6), 632-659.

Jones, G. R., & Hill, C. W. (1988). Transaction cost analysis of strategy- structure choice. *Strategic Management Journal*, *9*(2), 159-172.

Kang, S. C., & Snell, S. A. (2009). Intellectual capital architectures and ambidextrous learning: a framework for human resource management. *Journal of Management Studies*, *46*(1), 65-92.

Katila, R., & Ahuja, G. (2002). Something old, something new: A longitudinal study of search behavior and new product introduction. *Academy of Management Journal*, *45*(6), 1183-1194.

Katsikeas, C. S., Morgan, N. A., Leonidou, L. C., & Hult, G. T. M. (2016). Assessing performance outcomes in marketing. *Journal of Marketing*, *80*(2), 1-20.

Keupp, M. M., & Gassmann, O. (2009). The past and the future of international entrepreneurship: a review and suggestions for developing the field. *Journal of Management*, *35*(3), 600-633.

Khavul, S., Pérez-Nordtvedt, L., & Wood, E. (2010). Organizational entrainment and international new ventures from emerging markets. *Journal of Business Venturing*, *25*(1), 104-119.

Kim, W. C., Hwang, P., & Burgers, W. P. (1993). Multinationals' diversification and the risk-return trade- off. *Strategic Management Journal*, *14*(4), 275-286.

Kirca, A. H., Hult, G. T. M., Deligonul, S., Perryy, M. Z., & Cavusgil, S. T. (2012). A multilevel examination of the drivers of firm multinationality: A meta-analysis. *Journal of Management*, *38*(2), 502-530.

Kirchmeyer, C., & Cohen, A. (1992). Multicultural groups: Their performance and reactions with constructive conflict. *Group & Organization Management*, *17*(2), 153-170.

Kirzner, I.M. 1973. Competition and Entrepreneurship. Chicago: University of Chicago Press.

Kline, R. B. (2011). *Principles and practices of structural equation modeling* (3rd ed.). New York, NY: Guilford Press.

Knight, G. A., & Cavusgil, S. T. (2004). Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies*, *35*(2), 124-141.

Knight, G. A., & Liesch, P. W. (2016). Internationalization: From incremental to born global. *Journal of World Business*, *51*(1), 93-102.

Kochhar, R., & Hitt, M. A. (1995). Toward an integrative model of international diversification. *Journal of International Management*, *1*(1), 33-72.

Kogut, B., & Singh, H. (1988). The effect of national culture on the choice of entry mode. *Journal of International Business Studies*, *19*(3), 411-432.

Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, *3*(3), 383-397.

Lattin, J. M., Carroll, J. D., & Green, P. E. (2003). *Analyzing multivariate data*. Pacific Grove, CA: Thomson Brooks/Cole.

Leana, C. R., & Pil, F. K. (2006). Social capital and organizational performance: Evidence from urban public schools. *Organization Science*, *17*(3), 353-366.

Leana III, C. R., & Van Buren, H. J. (1999). Organizational social capital and employment practices. *Academy of Management Review*, *24*(3), 538-555.

Leonard-Barton, D. (1995). *Wellsprings of Knowledge*. Harvard Business School Press, Boston, MA.

Levitt, B., & March, J. G. (1988). Organizational learning. *Annual Review of Sociology*, *14*(1), 319- 338.

Lindell, M. K., & Whitney, D. J. (2001). Accounting for common method variance in cross-sectional research designs. *Journal of Applied Psychology*, *86*(1), 114.

Lopez, L. E., Kundu, S. K., & Ciravegna, L. (2009). Born global or born regional? Evidence from an exploratory study in the Costa Rican software industry. *Journal of International Business Studies*, *40*(7), 1228-1238.

Lu, J. W., & Beamish, P. W. (2001). The internationalization and performance of SMEs. *Strategic Management Journal*, *22*(6- 7), 565-586.

Lu, J. W., & Beamish, P. W. (2004). International diversification and firm performance: The S-curve hypothesis. *Academy of Management Journal*, *47*(4), 598-609.

Luo, Y. (2002). Product diversification in international joint ventures: Performance implications in an emerging market. *Strategic Management Journal*, *23*(1), 1-20.

Luo, X., Slotegraaf, R. J., & Pan, X. (2006). Cross-functional “coopetition”: The simultaneous role of cooperation and competition within firms. *Journal of Marketing*, *70*(2), 67-80.

MacKinnon, D. P., Lockwood, C. M., & Williams, J. (2004). Confidence limits for the indirect effect: Distribution of the product and resampling methods. *Multivariate Behavioral Research*, *39*(1), 99-128.

Mainela, T., Puhakka, V., & Servais, P. (2014). The concept of international opportunity in international entrepreneurship: a review and a research agenda. *International Journal of Management Reviews*, *16*(1), 105-129.

March, J. G. (1991). Exploration and exploitation in organizational learning. *Organization Science*, *2*(1), 71-87.

Mathews, J. A., & Zander, I. (2007). The international entrepreneurial dynamics of accelerated internationalisation. *Journal of International Business Studies*, *38*(3), 387-403.

Maurer, I., Bartsch, V., & Ebers, M. (2011). The value of intra-organizational social capital: How it fosters knowledge transfer, innovation performance, and growth. *Organization Studies*, *32*(2), 157-185.

McDougall, P. P. (1989). International versus domestic entrepreneurship: new venture strategic behavior and industry structure. *Journal of Business Venturing*, *4*(6), 387-400.

McDougall, P. P., & Oviatt, B. M. (2000). International entrepreneurship: the intersection of two research paths. *Academy of Management Journal*, *43*(5), 902-906.

McDougall, P. P., Shane, S., & Oviatt, B. M. (1994). Explaining the formation of international new ventures: The limits of theories from international business research. *Journal of Business Venturing*, *9*(6), 469-487.

Michaels, R. E., Cron, W. L., Dubinsky, A. J., & Joachimsthaler, E. A. (1988). Influence of formalization on the organizational commitment and work alienation of salespeople and industrial buyers. *Journal of Marketing Research*, 376-383.

Milanov, H., & Fernhaber, S. A. (2009). The impact of early imprinting on the evolution of new venture networks. *Journal of Business Venturing*, *24*(1), 46-61.

Miller, D. (1987). Strategy making and structure: Analysis and implications for performance. *Academy of Management Journal*, *30*(1), 7-32.

Mitchell, W., Shaver, J. M., & Yeung, B. (1994). Foreign entrant survival and foreign market share: Canadian companies' experience in United States medical sector markets. *Strategic Management Journal*, *15*(7), 555-567.

Moenaert, R. K., & Souder, W. E. (1990). An information transfer model for integrating marketing and R&D personnel in new product development projects. *Journal of Product Innovation Management*, *7*(2), 91-107.

Moran, P. (2005). Structural vs. relational embeddedness: Social capital and managerial performance. *Strategic Management Journal*, *26*(12), 1129-1151.

Mudambi, R., & Zahra, S. A. (2007). The survival of international new ventures. *Journal of International Business Studies*, *38*(2), 333-352.

Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review, 23*(2): 242–266.

Neter, J., Wasserman, W., & Kutner, M. H. (1990). Regression, analysis of variance, and experimental design. *Applied Statistical Models*, 614-619.

Nielsen, B. B., & Raswant, A. (2018). The selection, use, and reporting of control variables in international business research: A review and recommendations. *Journal of World Business*.

Nonaka, I., and Takeuchi, H. *The Knowledge-Creating Company: How Japanese Companies Create the Dynamics of Innovation*, Oxford University Press, New York, 1995.

Nunnally, J. C. (1978). Psychometric theory (2nd edit.) mcgraw-hill. *Hillsdale, NJ*.

Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, 187-206.

Oh, H., Chung, M. H., & Labianca, G. (2004). Group social capital and group effectiveness: The role of informal socializing ties. *Academy of Management Journal*, *47*(6), 860-875.

Ojala, A. (2009). Internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market. *International Business Review*, *18*(1), 50-59.

Oviatt, B. M., & McDougall, P. P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies, 25*(1), 45-64.

Oviatt, B. M., & McDougall, P. P. (2005). Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice, 29*(5), 537-554.

Ozgen, E., & Baron, R. A. (2007). Social sources of information in opportunity recognition: Effects of mentors, industry networks, and professional forums. *Journal of Business Venturing*, *22*(2), 174-192.

Patel, P. C., Criaco, G., & Naldi, L. (2018). Geographic diversification and the survival of born-globals. *Journal of Management*, *44*(5), 2008-2036.

Payne, G. T., Moore, C. B., Griffis, S. E., & Autry, C. W. (2011). Multilevel challenges and opportunities in social capital research. *Journal of Management*, *37*(2), 491-520.

Pinto, M. B., Pinto, J. K., & Prescott, J. E. (1993). Antecedents and consequences of project team cross-functional cooperation. *Management Science*, *39*(10), 1281-1297.

Pisano, V., Ireland, R. D., Hitt, M. A., & Webb, J. W. (2007). International entrepreneurship in emerging economies: the role of social capital, knowledge development and entrepreneurial actions. *International Journal of Technology Management*, *38*(1-2), 11-28.

Peng, M. W., & Luo, Y. (2000). Managerial ties and firm performance in a transition economy: The nature of a micro-macro link. *Academy of Management Journal*, *43*(3), 486-501.

Peng, M. W., & Zhou, J. Q. (2005). How network strategies and institutional transitions evolve in Asia. *Asia Pacific Journal of Management*, *22*(4), 321-336.

Penrose, E. T. (1959). The theory of the growth of the firm. New York: Sharpe.

Prashantham, S., & Floyd, S. W. (2012). Routine microprocesses and capability learning in international new ventures. *Journal of International Business Studies*, *43*(6), 544-562.

Prashantham, S. (2011). Social capital and Indian micromultinationals. *British Journal of Management*, *22*(1), 4-20.

Prashantham, S. (2005). Toward a knowledge-based conceptualization of internationalization. *Journal of International Entrepreneurship*, *3*(1), 37-52.

Preacher, K. J., & Hayes, A. F. (2004). SPSS and SAS procedures for estimating indirect effects in simple mediation models. *Behavior Research Methods, Instruments, & Computers*, *36*(4), 717-731.

Preacher, K. J., Rucker, D. D., & Hayes, A. F. (2007). Addressing moderated mediation hypotheses: Theory, methods, and prescriptions. *Multivariate Behavioral Research*, *42*(1), 185-227.

Preece, S. B., Miles, G., & Baetz, M. C. (1999). Explaining the international intensity and global diversity of early-stage technology-based firms. *Journal of Business Venturing*, *14*(3), 259-281.

Podsakoff, P. M., & Organ, D. W. (1986). Self-reports in organizational research: Problems and prospects. *Journal of Management*, *12*(4), 531-544.

Qian, G., Khoury, T. A., Peng, M. W., & Qian, Z. (2010). The performance implications of intra- and inter- regional geographic diversification. *Strategic Management Journal*, *31*(9), 1018- 1030.

Rempel, J. K., Holmes, J. G., & Zanna, M. P. (1985). Trust in close relationships. *Journal of Personality and Social Psychology*, *49*(1), 95.

Renko, M., Kundu, S. K., Shrader, R., Carsrud, A. L., & Parhankangas, A. (2016). Liabilities, advantages, and buffers of newness: How young age makes internationalization possible. *Group & Organization Management*, *41*(6), 786-822.

Reuber, A. R., & Fischer, E. (2011). International entrepreneurship in internet-enabled markets. *Journal of Business Venturing*, *26*(6), 660-679.

Reuber, A. R., & Fischer, E. (1997). The influence of the management team's international experience on the internationalization behaviors of SMEs. *Journal of International Business Studies*, *28*(4), 807-825.

Reuber, A. R., Knight, G. A., Liesch, P. W., & Zhou, L. (2018). International entrepreneurship: The pursuit of entrepreneurial opportunities across national borders. *Journal of International Business Studies*, *49*(4), 395-406.

Reynolds, P., & Miller, B. (1992). New firm gestation: Conception, birth, and implications for research. *Journal of Business Venturing*, 7(5), 405-417.

Ring, P. S., & Van de Ven, A. H. (1992). Structuring cooperative relationships between organizations. *Strategic Management Journal*, *13*(7), 483-498.

Rizzo, J. R., House, R. J., & Lirtzman, S. I. (1970). Role conflict and ambiguity in complex organizations. *Administrative Science Quarterly*, 150-163.

Rousseau, D. M., Sitkin, S. B., Burt, R. S., & Camerer, C. (1998). Not so different after all: A cross-discipline view of trust. *Academy of Management Review*, *23*(3), 393-404.

Rugman, A. M., & Verbeke, A. (2004). A perspective on regional and global strategies of multinational enterprises. *Journal of International Business Studies*, *35*(1), 3-18.

Ruigrok, W., & Wagner, H. (2003). Internationalization and performance: An organizational learning perspective. *MIR: Management International Review*, 63-83.

Rumelt, R. P. (1982). Diversification strategy and profitability. *Strategic Management Journal*, *3*(4), 359-369.

Sadeghi, A., Rose, E. L., & Chetty, S. (2018). Disentangling the effects of post-entry speed of internationalization on INVs' export performance. *International Small Business Journal*.

Sako, M. (1992). *Price, quality and trust: Inter-firm relations in Britain and Japan* (No. 18). Cambridge University Press.

Sapienza, H. J., Autio, E., George, G., & Zahra, S. A. (2006). A capabilities perspective on the effects of early internationalization on firm survival and growth. *Academy of Management Review*, *31*(4), 914-933.

Sarasvathy, S. D. (2001). Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*, *26*(2), 243-263.

Savin, N. E., & White, K. J. (1977). The Durbin-Watson test for serial correlation with extreme sample sizes or many regressors. *Econometrica: Journal of the Econometric Society*, 1989-1996.

Schulz, M. (2001). The uncertain relevance of newness: Organizational learning and knowledge flows. *Academy of Management Journal*, *44*(4), 661-681.

Schwens, C., Zapkau, F. B., Brouthers, K. D., & Hollender, L. (2018). Limits to international entry mode learning in SMEs. *Journal of International Business Studies*, *49*(7), 809-831.

Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, *25*(1), 217-226.

Shaheer, N. A., & Li, S. (2018). The CAGE around cyberspace? How digital innovations internationalize in a virtual world. *Journal of Business Venturing*.

Shaver, J. M. (1998). Accounting for endogeneity when assessing strategy performance: does entry mode choice affect FDI survival? *Management Science*, *44*(4), 571-585.

Shrader, R. C., Oviatt, B. M., & McDougall, P. P. (2000). How new ventures exploit trade-offs among international risk factors: Lessons for the accelerated internationization of the 21st century. *Academy of Management Journal*, *43*(6), 1227-1247.

Shrout, P. E., & Bolger, N. (2002). Mediation in experimental and nonexperimental studies: new procedures and recommendations. *Psychological Methods*, *7*(4), 422.

Simon, H. A. (1955). A behavioral model of rational choice. *The Quarterly Journal of Economics*, *69*(1), 99-118.

Simonin, B. L. (1997). The importance of collaborative know-how: An empirical test of the learning organization. *Academy of Management Journal*, *40*(5), 1150-1174.

Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, *32*(1), 273-292.

Simons, T. L., & Peterson, R. S. (2000). Task conflict and relationship conflict in top management teams: the pivotal role of intragroup trust. *Journal of Applied Psychology*, *85*(1), 102.

Sitkin, S. B., & Roth, N. L. (1993). Explaining the limited effectiveness of legalistic “remedies” for trust/distrust. *Organization Science*, *4*(3), 367-392.

Skarmeas, D., Katsikeas, C. S., & Schlegelmilch, B. B. (2002). Drivers of commitment and its impact on performance in cross-cultural buyer-seller relationships: The importer's perspective. *Journal of International Business Studies*, *33*(4), 757-783.

Slotte–Kock, S., & Coviello, N. (2010). Entrepreneurship research on network processes: A review and ways forward. *Entrepreneurship Theory and Practice*, *34*(1), 31-57.

Stinchcombe, A. L., & March, J. G. (1965). Social structure and organizations. *Handbook of Organizations*, *7*, 142-193.

Sobel, M. E. (1986). Some new results on indirect effects and their standard errors in covariance structure models. *Sociological Methodology*, *16*, 159-186.

Söderqvist, A., & Chetty, S. (2009). Strength of ties and their role in pre-founding, start-up and early internationalization. In *12th McGill International Entrepreneurship Conference, Vaasa, Finland*.

Sui, S., & Baum, M. (2014). Internationalization strategy, firm resources and the survival of SMEs in the export market. *Journal of International Business Studies*, *45*(7), 821-841.

Sutcliffe, K. M. (1994). What executives notice: Accurate perceptions in top management teams. *Academy of Management Journal*, *37*(5), 1360-1378.

Szulanski, G. (1996). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic Management Journal*, *17*(S2), 27-43.

Tabachnick, B. G., & Fidell, L. S. (2007). *Using multivariate statistics*. Allyn & Bacon/Pearson Education.

Tallman, S., & Li, J. (1996). Effects of international diversity and product diversity on the performance of multinational firms. *Academy of Management Journal*, *39*(1), 179-196.

Tasavori, M., Zaefarian, R., & Eng, T. Y. (2018). Internal social capital and international firm performance in emerging market family firms: The mediating role of participative governance. *International Small Business Journal*, 0266242618773145.

Tjosvold, D., & Deemer, D. K. (1980). Effects of controversy within a cooperative or competitive context on organizational decision making. *Journal of Applied Psychology*, *65*(5), 590.

Thomas, D. E., & Eden, L. (2004). What is the shape of the multinationality-performance relationship? *Multinational Business Review*, *12*(1), 89-110.

Thomas, K. W., & Schmidt, W. H. (1976). A survey of managerial interests with respect to conflict. *Academy of Management Journal*, *19*(2), 315-318.

Tsai, W., & Ghoshal, S. (1998). Social capital and value creation: The role of intrafirm networks. *Academy of Management Journal*, *41*(4), 464-476.

Tsai, W. (2002). Social structure of "coopetition" within a multiunit organization: Coordination, competition, and intraorganizational knowledge sharing. *Organization Science*, *13*(2), 179-190.

Tsang, E. W. (2002). Acquiring knowledge by foreign partners from international joint ventures in a transition economy: learning- by- doing and learning myopia. *Strategic Management Journal*, *23*(9), 835-854.

Uzzi, B. (1997). Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative Science Quarterly*, 35-67.

Van Maanen, J., & Schein, E. H. (1979). l979. Toward a theory of organizational socialization. *Research in Organizational Behavior*.

Verbeke, A., Li, L., & Goerzen, A. (2009). Toward more effective research on the multinationality-performance relationship. *Management International Review*, *49*(2), 149-161.

Vermeulen, F., & Barkema, H. (2002). Pace, rhythm, and scope: Process dependence in building a profitable multinational corporation. *Strategic Management Journal*, *23*(7), 637-653.

Walsh, J. P. (1995). Managerial and organizational cognition: Notes from a trip down memory lane. *Organization Science*, *6*(3), 280-321.

Wasko, M. M., & Faraj, S. (2005). Why should I share? Examining social capital and knowledge contribution in electronic networks of practice. *MIS quarterly*, 35-57.

Welch, C., Nummela, N., & Liesch, P. 2016. The internationalization process model revisited: An agenda for future research. *Management International Review*, *56*(6): 783–804.

Wiklund, J., & Shepherd, D. (2003). Knowledge- based resources, entrepreneurial orientation, and the performance of small and medium- sized businesses. *Strategic Management Journal*, *24*(13), 1307-1314.

Wu, A., & Zhou, L. (2018). Understanding Earliness of Internationalization and Its Impact on Postentry Geographic Diversity of International Young Ventures. *Journal of International Marketing*, jim-16.

Yeoh, P. L. (2004). International learning: antecedents and performance implications among newly internationalizing companies in an exporting context. *International Marketing Review*, *21*(4/5), 511-535.

Yli-Renko, H., Autio, E., & Tontti, V. (2002). Social capital, knowledge, and the international growth of technology-based new firms. *International Business Review*, *11*(3), 279-304.

Zaheer, A., McEvily, B., & Perrone, V. (1998). Does trust matter? Exploring the effects of interorganizational and interpersonal trust on performance. *Organization Science*, *9*(2), 141-159.

Zaheer, S. (1995). Overcoming the liability of foreignness. *Academy of Management Journal*, *38*(2), 341-363.

Zahra, S. A. (2005). A theory of international new ventures: a decade of research. *Journal of International Business Studies*, *36*(1), 20-28.

Zahra, S. A., & George, G. (2002). Absorptive capacity: A review, reconceptualization, and extension. *Academy of Management Review*, *27*(2), 185-203.

Zahra, S. A., Ireland, R. D., & Hitt, M. A. (2000). International expansion by new venture firms: International diversity, mode of market entry, technological learning, and performance. *Academy of Management Journal*, *43*(5), 925-950.

Zahra, S. A., Zheng, C., & Yu, J. (2017). Learning advantages of newness: A reconceptualization and contingent framework. *Journal of International Entrepreneurship*, 1-26.

Zhou, L., Barnes, B. R., & Lu, Y. (2010). Entrepreneurial proclivity, capability upgrading and performance advantage of newness among international new ventures. *Journal of International Business Studies*, *41*(5), 882-905.

Zhou, L. (2007). The effects of entrepreneurial proclivity and foreign market knowledge on early internationalization. *Journal of World Business*, *42*(3), 281-293.

Zhou, L., Wu, A., & Barnes, B. R. (2012). The effects of early internationalization on performance outcomes in young international ventures: the mediating role of marketing capabilities. *Journal of International Marketing*, *20*(4), 25-45.

Zhou, L., & Wu, A. (2014). Earliness of internationalization and performance outcomes: Exploring the moderating effects of venture age and international commitment. *Journal of World Business*, *49*(1), 132-142.

Zhou, L., Wu, W. P., & Luo, X. (2007). Internationalization and the performance of born-global SMEs: the mediating role of social networks. *Journal of International Business Studies*, *38*(4), 673-690.

Zollo, M., & Winter, S. G. (2002). Deliberate learning and the evolution of dynamic capabilities. *Organization Science*, *13*(3), 339-351.

Appendix

Figure 3.1 Conceptual Model

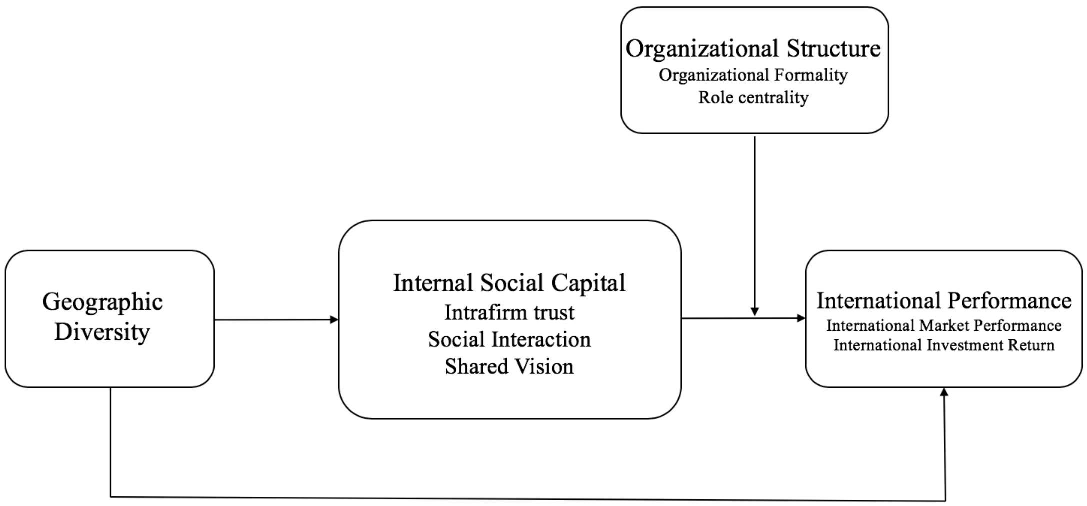

Figure 5.1 Organizational Formality on the

Intrafirm Trust-International Market Performance Relationship

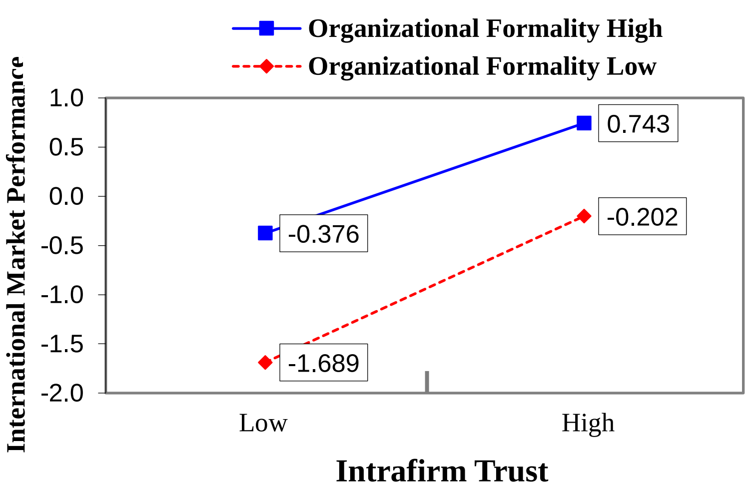

Figure 5.2 Role Concentration on the

Intrafirm Trust-International Investment Return Relationship

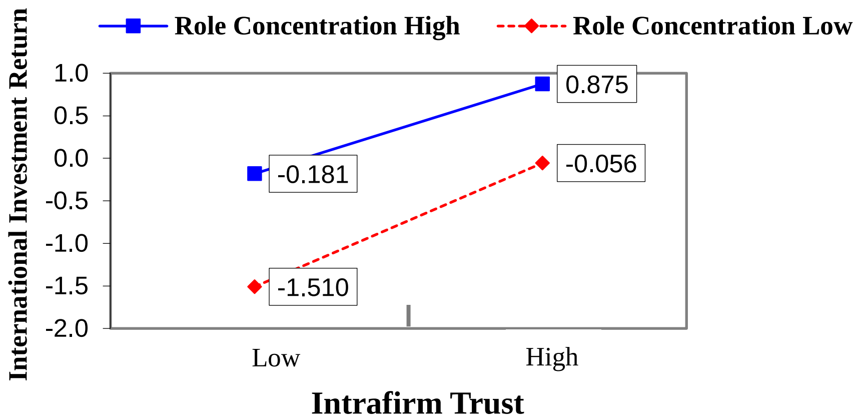

Figure 5.3 Role Concentration on the

Social Interaction- International Market Performance Relationship

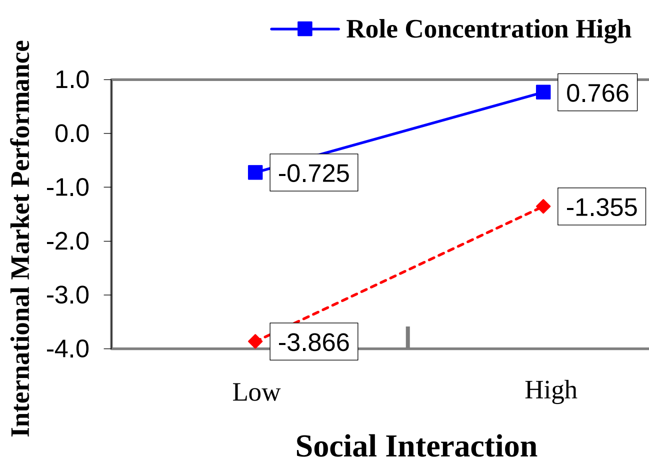

Figure 5.4 Role Concentration on the

Social Interaction-International Investment Return Relationship

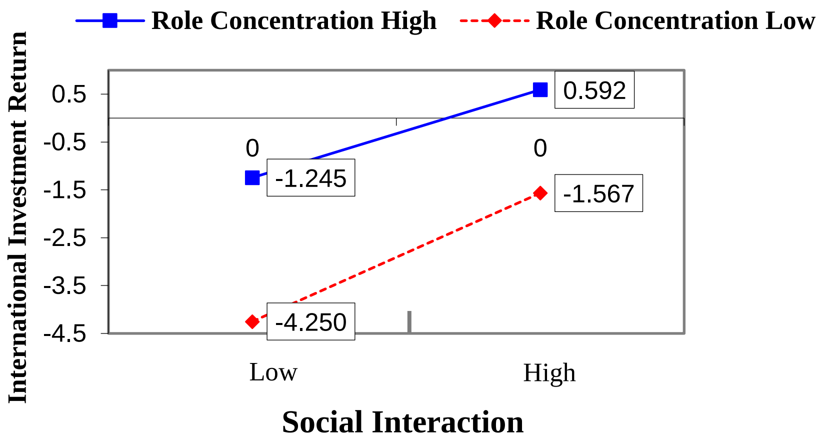

Table 4.1 Age information of the sampling firms

Firm age (min=0, max=13,average=5.6)	% of Firms
0-3 years	26.4
4-6 years	30.2
7-10 years	39.6
11 years and over	3.8

Table 4.2 Turnover information of the sampling firms

Annual Turnover (Million RMB)	% of Firms
Less than 5	11.6
5-20	20.4
20-50	28.2
50-200	21.0
200 and over	18.8

Table 4.3 Earliness of internationalization of the sampling firms

Firm age at First Foreign Entry (min=0,max=10,average=1.66)	% of Firms
Less than 2 years after start-up	59.4
2-3 years after start-up	22.4
4-5 years after start-up	11.2
More than 5 years after start-up	7.0

Table 4.4 Size information of the sampling firms

Number of employees (min=4, max=1610,average=)	% of Firms
1-50	24.1
51-200	44.8

201-500	21.7
501-1000	6.6
1001-2000	2.8

Table 4.5 Entry mode selection of the sampling firms

Entry mode	% of Firms
Export	80.0
Import	7.3
Foreign licensing	1.4
Detachment of personnel abroad	10.7
Foreign joint venture	3.9
Foreign subsidiary	2.8
Others	2.0

Table 4.6 Industry information of the sampling firms

Type of Industry	% of Firms
Textiles	15.3
Manufacturing	52.1
Others	32.6

Table 4.7 Operationalization of the constructs

Construct/ Items	**Standardized factor loadings**	**t-values**
Intrafirm Trust (α=.865, AVE=.626, CR=.922)		
Senior managers involved in foreign activities can always be trusted to do what is right for the firm.	.839	-
Senior managers involved in foreign activities always keep the promises they make.	.806	13.117
Senior managers involved in foreign activities are perfectly honest and truthful with others in the firm.	.815	13.295
Senior managers involved in foreign activities would not take advantage of others, even if the opportunity arose.	.696	10.833
Social Interaction (α=.742, AVE=.516, CR=.841)		
Senior managers involved in foreign activities spend significant time socializing with other managers within our firm.	.612	-
Senior managers involved in foreign activities maintain close personal relationships with other managers of our firm.	.848	8.287
Senior managers involved in foreign activities in our firm know others in the firm on a personal level.	.675	7.568
Shared Vision (α=.802, AVE=.590, CR=.882)		
Senior managers in our firm think alike on issues that relate to foreign activities.	.675	-
Senior managers' business objectives with respect to foreign activities are fully aligned with one another.	.843	9.365
Senior managers in our firm have similar views concerning the challenges encountered in foreign markets.	.776	9.179
Organizational Formality (α=.744, AVE=.525, CR=.848)		
Our firm is very formalized and structured in regard to its domestic business operations.	.737	-

Our senior managers tend to follow the same routines and procedures in day-to-day business operations, even when entering new markets.	.803	9.568
The glue that holds our domestic business operations together is formal rules and policies.	.623	8.001
Role Concentration (α=.788, AVE=.549, CR=.863)		
Our organizational structure is centered on maintaining existing domestic business.	.803	-
Our senior managers tend to have responsibility or authority in one central task area rather than in several task areas.	.730	9.586
Our domestic business activities are undertaken by senior managers who have very narrow task descriptions, rather than broad task descriptions that span different areas.	.686	9.113
International Market Performance (α=.794, AVE=.659, CR=.875)		
Foreign sales growth	.837	-
Foreign market share growth	.786	12.925
International Investment Return (α=.837, AVE=.722, CR=.906)		
Foreign profit growth	.874	-
Return on foreign investment	.825	14.381
Foreign Sales	1.000	
Firm Age	1.000	
Firm Size	1.000	
Earliness of Internationalization	1.000	
Entry Mode	1.000	

Table 5.1a Descriptive Statistics and Correlations (N=212)

	Mean	*SD*	1	2	3	4	5	6
1. Firm Age	0.753	0.270						
2. Earliness	0.326	0.293	-0.026					
3. Foreign Sales	3.417	0.706	0.046	-0.105				
4. Firm Size	2.058	0.515	.236**	-0.093	0.124			
5.Dynamism	3.774	0.778	0.008	0.09	0.003	0.101		
6.Entry Mode	0.810	0.396	-0.051	-0.016	0.043	0.056	-0.066	
7.Geographic Diversity	0.689	0.235	0.037	-0.042	0.028	0.049	0.029	.178**

(Zero-order correlation coefficients; two-tailed test; ** $p < .01$; * $p < .05$)

Table 5.1b Descriptive Statistics and Correlations (N=212)

	Mean	*SD*	1	2	3	4	5	6	7
8. Intrafirm Trust	3.827	0.715	0.045	0.057	-0.034	0.061	.208**	-0.056	.167*
9.Social Interaction	3.601	0.720	-0.021	0.031	-0.071	-0.044	.237**	0.066	.233**
10. Shared Vision	3.670	0.736	-0.08	0.076	-0.075	-.140*	0.134	-0.095	0.068
11. Organizational Formality	3.638	0.756	0.017	0.069	-.153*	0.077	.166*	-.172*	0.097
12. Role Concentration	3.642	0.845	0.034	0.102	-0.085	-0.039	.249**	0.009	0.041
13. International Market Performance	3.736	0.841	-0.045	-0.065	-0.029	-0.002	.145*	0.066	.140*
14.International Investment Return	3.668	0.882	-0.059	-0.109	-0.037	0.017	0.134	0.073	.159*

(Zero-order correlation coefficients; two-tailed test; ** $p < .01$; * $p < .05$)

Table 5.1c Descriptive Statistics and Correlations (N=212)

	8	9	10	11	12	13
9.Social Interaction	.543**					
10. Shared Vision	.410**	.411**				
11. Organizational Formality	.290**	.269**	.204**			
12. Role Concentration	.174*	.242**	.191**	.569**		
13. International Market Performance	.221**	.321**	.250**	.227**	0.102	
14.International Investment Return	-.182**	.277**	.229**	.171*	0.131	.796**

(Zero-order correlation coefficients; two-tailed test; ** p < .01; * p < .05)

Table 5.2 Regression Analysis Results (N=212)

	DV=Intrafirm Trust		DV= Social interaction		DV= Shared vision	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Venture age	0.090	0.071	0.002	-0.021	-0.140	-0.177
Earliness	0.098	0.114	-0.008	0.013	0.109	0.088
Foreign sales	-0.036	-0.038	-0.069	-0.072	-0.051	-0.050
Venture size	0.060	0.055	-0.093	-0.099	-0.182+	-0.146+
Dynamism	0.181**	0.174**	0.231***	0.222***	0.131*	0.133+
Entry mode	-0.076	-0.133	0.162	0.088	-0.147	-0.197
Geographic diversity		0.532*		0.682**		0.288
R-square	0.051	0.080	0.073	0.120	0.055	0.063
ΔR-square		0.029*		0.048**		0.008
Adjusted R-square	0.023	0.049	0.045	0.090	0.027	0.031
F value	1.830+	2.545*	2.676*	3.993***	1.981+	1.961+

Unstandardized regression coefficients; *** p < .001, ** p < .01; * p < .05, + p < .10

Table 5.3 Regression Analysis Results (N=212)

	DV= International Market Performance						DV=International Investment Return					
	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18
Venture age	-0.123	-0.138	-0.154	-0.159	-0.130	-0.137	-0.192	-0.211	-0.224	-0.230	-0.198	-0.208
Earliness	-0.244	-0.230	-0.256	-0.290	-0.279	-0.284	-0.386^{+}	-0.369^{+}	-0.390^{+}	-0.417*	-0.426*	-0.429*
Foreign sales	-0.045	-0.047	-0.039	-0.028	-0.042	-0.027	-0.066	-0.068	-0.061	-0.057	-0.063	-0.059
Venture size	-0.026	-0.031	-0.043	-0.065	-0.041	-0.079	0.010	0.005	-0.006	-0.021	0.001	-0.015
Dynamism	0.173*	0.167*	0.127^{+}	0.101	0.115	0.116	0.171*	0.164*	0.132^{+}	0.111	0.107	0.106
Export	0.162	0.113	0.144	0.181	0.110	0.198	0.178	0.120	0.145	0.167	0.099	0.137
Geographic diversity		0.451^{+}	0.330	0.287	0.351	0.282		0.539*	0.440^{+}	0.410	0.464^{+}	0.433^{+}
Organizational formality				0.866*		0.841*				0.741*		0.504
Role concentration					0.587	0.041					0.783*	0.473
Intrafirm trust			0.227**	0.786*	0.713*	0.825*			0.187*	0.696*	0.8*	0.906*
Intrafirm trust × Organizational formality				-0.173^{+}		-0.155				-0.155		-0.103
Intrafirm trust × Role concentration					-0.138	-0.029					-0.176^{+}	-0.110
R-square	0.037	0.052	0.086	0.132	0.098	0.136	0.046	0.065	0.086	0.113	0.109	0.118
ΔR-square		0.015^{+}	0.034**	0.046**	0.012	0.049*		0.020*	0.021*	0.026^{+}	0.022^{+}	0.031
Adjusted R-square	0.009	0.019	0.050	0.089	0.053	0.083	0.018	0.033	0.050	0.068	0.064	0.064
F value	1.302	1.599	2.394*	3.053**	2.191*	2.599**	1.629	2.039^{+}	2.402*	2.549**	2.452**	2.210*

Unstandardized regression coefficients; *** $p < .001$, ** $p < .01$; * $p < .05$, $^{+}$ $p < .10$

Table 5.4 Regression Analysis Results (N=212)

	DV= International Market Performance						DV=International Investment Return					
	Model 7	Model 8	Model 19	Model 20	Model 21	Model 22	Model 14	Model 15	Model 23	Model 24	Model 25	Model 26
Venture age	-0.123	-0.138	-0.131	-0.135	-0.084	-0.067	-0.192	-0.211	-0.205	-0.202	-0.166	-0.133
Earliness	-0.244	-0.230	-0.235	-0.264	-0.253	-0.258	-0.386^{+}	-0.369^{+}	-0.373^{+}	-0.390^{+}	-0.402*	-0.398*
Foreign sales	-0.045	-0.047	-0.023	-0.002	-0.024	0.001	-0.066	-0.068	-0.047	-0.029	-0.044	-0.027
Venture size	-0.026	-0.031	0.002	-0.028	-0.007	-0.049	0.010	0.005	0.033	0.012	0.028	0.014
Dynamism	0.173*	0.167*	0.093	0.076	0.100	0.105	0.171*	0.164*	0.101	0.090	0.096	0.104
Export	0.162	0.113^{+}	0.084	0.160	0.095	0.177	0.178	0.120	0.094	0.143	0.104	0.117
Geographic diversity		0.451^{+}	0.225	0.188	0.301	0.237		0.539*	0.344	0.314	0.423	0.413
Organizational formality				0.430		0.186				0.149		-0.396
Role concentration					0.790*	0.586					0.861*	1.017*
Social interaction			0.331***	0.536	1.117**	0.953*			0.286**	0.273	1.080**	0.778^{+}
Social interaction × Organizational formality				-0.070		0.008				-0.006		0.132
Social interaction × Role concentration					-0.222*	-0.193^{+}					-0.228*	-0.278*
R-square	0.037	0.052	0.123	0.148	0.149	0.171	0.046	0.065	0.113	0.124	0.142	0.152
ΔR-square		0.015^{+}	0.071***	0.026*	0.027*	0.048*		0.020*	0.048**	0.010	0.029*	0.038^{+}
Adjusted R-square	0.009	0.019	0.088	0.106	0.107	0.121	0.018	0.033	0.078	0.080	0.100	0.100
F value	1.302	1.599	3.549**	3.505***	3.529***	3.412***	1.629	2.039^{+}	3.237**	2.834**	3.336***	2.961**

Unstandardized regression coefficients; *** $p < .001$, ** $p < .01$; * $p < .05$, $^{+}$ $p < .10$

Table 5.5 Regression Analysis Results (N=212)

	DV= International Market Performance						DV=International Investment Return					
	Model 7	Model 8	Model 27	Model 28	Model 29	Model 30	Model 14	Model 15	Model 31	Model 32	Model 33	Model 34
Venture age	-0.123	-0.138	-0.097	-0.097	-0.093	-0.082	-0.192	-0.211	-0.171	-0.182	-0.177	-0.172
Earliness	-0.244	-0.230	-0.263	-0.272	-0.271	-0.278	-0.386$^+$	-0.369$^+$	-0.400*	-0.419*	-0.416*	-0.420*
Foreign sales	-0.045	-0.047	-0.033	0.009	-0.027	0.000	-0.066	-0.068	-0.054	-0.034	-0.045	-0.032
Venture size	-0.026	-0.031	0.020	-0.006	0.025	-0.024	0.010	0.005	0.053	0.037	0.061	0.037
Dynamism	0.173*	0.167*	0.132$^+$	0.083	0.129$^+$	0.126$^+$	0.171*	0.164*	0.131$^+$	0.110	0.115	0.113
Export	0.162	0.113	0.162	0.184	0.139	0.245$^+$	0.178	0.120	0.167	0.208	0.142	0.196
Geographic diversity		0.451$^+$	0.372	0.198	0.385	0.307		0.539*	0.463$^+$	0.428$^+$	0.470$^+$	0.432$^+$
Organizational formality				-0.003		0.631				0.492		0.333
Role concentration					0.436	0.080					0.425	0.239
Shared vision			0.272**	0.169*	0.679*	0.811$^+$			0.263**	0.601	0.605$^+$	0.680
Shared vision × Organizational formality				0.052*		-0.099				-0.095		-0.054
Shared vision × Role concentration					-0.112	-0.052					-0.096	-0.064
R-square	0.037	0.052	0.105	0.154	0.114	0.150	0.046	0.065	0.110	0.127	0.121	0.129
ΔR-square		0.015$^+$	0.053**	0.049*	0.009	0.045*		0.020*	0.045**	0.017	0.010	0.019
Adjusted R-square	0.009	0.019	0.070	0.112	0.069	0.099	0.018	0.033	0.075	0.084	0.077	0.077
F value	1.302	1.599	2.979**	3.670***	2.575**	2.930**	1.629	2.039$^+$	3.150**	2.936**	2.755**	2.457**

Unstandardized regression coefficients; *** $p < .001$, ** $p < .01$; * $p < .05$, $^{+}$ $p < .10$

Table 5.6 Sobel test

	a	S_a	DV: International Market Performance b	S_b	t	S.E.	p	DV: International Investment Return b	S_b	t	S.E.	p
Intrafirm trust	0.53	0.21	0.23	0.08	1.88	0.06	0.06	0.19	0.09	1.66	0.06	0.10
Social interaction	0.68	0.21	0.33	0.08	2.57	0.09	0.01	0.29	0.09	2.35	0.08	0.02
Shared vision	0.29	0.22	0.27	0.08	1.25	0.06	0.21	0.26	0.08	1.24	0.06	0.22

Table 5.7 Bootstrapping Mediation Results

	DV: International Market Performance				DV: International Investment Return			
	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI
Intrafirm trust	0.121	0.072	*0.006*	*0.287*	0.099	0.065	-0.005	0.245
Social interaction	0.226	0.098	*0.059*	*0.445*	0.195	0.099	*0.034*	*0.426*
Shared vision	0.079	0.069	-0.039	0.231	0.076	0.070	-0.043	0.230

Table 5.8a Bootstrapping Moderated Mediation Results

Mediator: Intrafirm trust, Moderator: Organizational formality

	DV: International Market Performance				DV: International Investment Return			
	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI
-1SD	0.152	0.088	***0.013***	***0.340***	0.132	0.087	-0.019	0.322
Mean	0.083	0.061	-0.027	0.213	0.070	0.061	-0.042	0.202
+1SD	0.013	0.068	-0.130	0.134	0.008	0.067	-0.132	0.146
Index	-0.092	0.065	-0.235	0.009	-0.083	0.064	-0.236	0.021

Table 5.8b Bootstrapping Moderated Mediation Results

Mediator: Intrafirm trust, Moderator: Role concentration

	DV: International Market Performance				DV: International Investment Return			
	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI
-1SD	0.174	0.091	***0.019***	***0.384***	0.165	0.092	***0.024***	***0.388***
Mean	0.112	0.068	***0.001***	***0.259***	0.086	0.064	-0.010	0.249
+1SD	0.050	0.080	-0.081	0.225	0.007	0.080	-0.151	0.187
Index	-0.073	0.062	-0.204	0.038	-0.093	0.069	-0.252	0.014

Table 5.8c Bootstrapping Moderated Mediation Results

Mediator: Social interaction, Moderator: Organizational formality

	DV: International Market Performance				DV: International Investment Return			
	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI
-1SD	0.227	0.120	***0.024***	***0.477***	0.175	0.113	-0.011	0.411
Mean	0.191	0.094	***0.033***	***0.401***	0.172	0.091	***0.021***	***0.362***
+1SD	0.154	0.095	-0.009	0.363	0.170	0.095	***0.003***	***0.369***
Index	-0.048	0.070	-0.193	0.083	-0.004	0.069	-0.163	0.122

Table 5.8d Bootstrapping Moderated Mediation Results

Mediator: Social interaction, Moderator: Role concentration

	DV: International Market Performance				DV: International Investment Return			
	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI
-1SD	0.338	0.136	***0.110***	***0.651***	0.302	0.131	***0.071***	***0.610***
Mean	0.210	0.098	***0.048***	***0.440***	0.171	0.091	***0.027***	***0.376***
+1SD	0.082	0.096	-0.096	0.292	0.039	0.099	-0.150	0.260
Index	-0.152	0.078	-0.335	-0.027	-0.155	0.085	-0.359	-0.024

Table 5.8e Bootstrapping Moderated Mediation Results

Mediator: Shared vision Moderator: Organizational formality

	DV: International Market Performance				DV: International Investment Return			
	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI
-1SD	0.101	0.086	-0.066	0.279	0.095	0.084	-0.049	0.270
Mean	0.075	0.063	-0.041	0.210	0.074	0.064	-0.039	0.217
+1SD	0.048	0.053	-0.023	0.179	0.053	0.059	-0.030	0.194
Index	-0.035	0.045	-0.137	0.049	-0.028	0.046	-0.131	0.058

Table 5.8f Bootstrapping Moderated Mediation Results

Mediator: Shared vision, Moderator: Role concentration

	DV: International Market Performance				DV: International Investment Return			
	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI	Boot. Indirect Effect	Boot. S.E.	Boot. LLCI	Boot. ULCI
-1SD	0.106	0.089	-0.064	0.296	0.097	0.083	-0.036	0.275
Mean	0.079	0.069	-0.048	0.235	0.074	0.065	-0.029	0.226
+1SD	0.052	0.060	-0.034	0.196	0.050	0.061	-0.129	0.214
Index	-0.032	0.036	-0.115	0.036	-0.028	0.038	-0.112	0.037