

Determinants of Firm Internationalisation, Destination Choice and Internationalisation Success

Sarah Liu Sixuan

Department of Economics

Firm internationalisation has positive spill-overs to the local economy by driving the growth of local firms and job creation locally. It is particularly important to parent firms in countries with a small domestic market to ensure market demand. This paper studies the determinants of firm internationalisation, internationalisation destination and financial performance of internationalised subsidiaries using firm and country data* of over 50,000 firms across 43 countries from 2009 to 2016. I found a one standard deviation increase in parent firm country entrepreneurship education, commercial and professional infrastructure and government SME programmes is associated with the parent firm being 1.23, 1.14 and 1.1 times respectively as likely to internationalise. However, parent firm financials one year before has no effect on internationalisation choice. When the destination country GDP growth increases by one percentage point, the parent firm is 1.34 times as likely to choose to internationalise there. An increase in similarity in culture,

R&D transfer and commercial and professional infrastructure levels between destination and parent firm country by one standard deviation is associated with parent firm being 1.96, 1.34 and 1.18 times respectively as likely to internationalise there. In studying the determinants of financial success of firm internationalisation, I found that both internationalised subsidiary operating revenue and return-on-assets are positively related to parent firm country government SME programmes, commercial and professional infrastructure, physical and services infrastructure and entrepreneurship education. These findings have important implications for countries in facilitating firm internationalisation and enhancing financial success of overseas ventures of local firms.

*Data from Orbis (Bureau van Dijk), Global Entrepreneurship Monitor, World Values Survey and Hofstede Six Dimensions of National Culture