

THE RELATIONSHIP BETWEEN INTERNATIONAL EXPERIENCE AND PERFORMANCE: A REVIEW, SUGGESTIONS FOR FUTURE RESEARCH AND A PROPOSED MODEL

ABSTRACT

In this paper we review the concept of international experience. A new dimension of international experience, intensity of international experience, which is separate to and distinct from the length or time-based dimension, is discussed. Our review of empirical studies pays particular attention to the level of analysis, the models tested, and the measures applied. We uncover unexplored relationships between the types and dimensions of international experience and performance, and we propose an alternative line of inquiry where research attention is directed toward the performance enhancing benefits that arise from international experience. Our proposed theoretical model informs this line of inquiry by including a sequence of the benefits of international experience together with the moderating effect of variables omitted from existing studies to provide a richer explanation of the relationship between international experience and performance.

1. Introduction

International experience has been employed widely as a key explanatory variable of interest in the international business and international marketing literature as well as a control variable in other fields such as strategic management. Studies of firms' international experience have investigated a range of topics including the effect of international experience on location decisions (e.g. Davidson, 1980; Yu, 1990), regional expansion (e.g. Li, 1994), entry mode choice

(e.g. Dow & Larimo, 2009; Dikova & Van Witteloostuijn, 2007) and the longevity of firms' foreign entries (e.g. Barkema et al., 1996).

To the best of our knowledge, this is the first attempt to review the literature considering the relationship between international experience and performance. In addition to the usual elements of a literature review, this review also proposes a theoretical model in Figure 3 that includes a sequence of how the benefits of international experience manifest as well as describing a new dimension of international experience.

The remainder of the introduction sets the scope of this review as well as the process that was followed to identify relevant articles for inclusion in this review. The body of this paper starts by providing an overview of the concept of international experience, including its types and dimensions. As this review focuses on studies that consider the performance implications of international experience, the outcomes of international experience that are expected to have performance implications are then discussed. The state of the literature is then specifically considered in terms of the models tested and the measures employed. We highlight the shortcomings of existing studies as well as overlooked issues in order to direct attention to potentially fruitful avenues for future research.

1.1 Scope of review

As a review of research concerning the effects of international experience across the range of topics identified above would be an undertaking that could not be covered in adequate depth in a single article, we focus this review on one particular subset of the international experience

literature. We chose to focus on research that has investigated the relationship between a firm's international experience and its performance¹ because of the considerable attention researchers have given to firms' performance outcomes in the fields of strategic management and international business. Although the focus of this review is on the relationship between international experience and performance, our analysis of the concept of international experience should prove useful to researchers investigating other questions concerning firms' international experience. Even if international experience is not a primary focus of a particular study, it will nevertheless be important to consider for inclusion as a control variable in all studies where sample firms have international operations so as to avoid confounding results.

1.2 Process for identifying relevant literature

The papers included in the present review were identified through a two-stage process. In the first stage, studies were identified by employing a keyword search of the Business Source Premier database using the search terms 'international experience' and 'performance'. The second stage involved considering the studies cited in the articles identified during stage one, thereby identifying relevant studies that were not captured by the keyword search. The papers cited in this paper are those identified by this two-stage process at the time of writing².

¹ For the present review, performance was defined as firm financial performance and thus does not consider broader conceptualizations that researchers have on occasion equated with performance, such as survival or exit (e.g. Li, 1995), because survival and financial performance had been shown to be separate and distinct outcomes (Delios & Beamish, 2001).

² Two additional studies (Kirpalani & MacIntosh, 1980; Brouthers et al., 1999) were identified, however they were excluded because international experience appeared as only one dimension of a multidimensional variable, such as being combined with size (Brouthers et al., 1999) or use of the government for foreign contacts (Kirpalani & MacIntosh, 1980) thereby rendering the influence of international experience on performance unclear. ***A table which summarizes the types, dimensions, measures and key findings of the studies included in this review has been omitted because of space limitations and may be obtained from the authors by request.***

2. An Overview of International Experience

In this section we explain the current conceptualization of international experience.³ The types of international experience, which include general international operations experience, region-specific experience, country-specific experience, entry mode experience, decision specific experience and ongoing business experience are identified. Each type of international experience has one or more dimensions, which include length, scope, diversity and intensity.

2.1 Types of international experience

The most widely recognized types of international experience that accrue to firms that interact with foreign markets can be divided into two main categories. The first category of international experience is the geographic source of the experience. The three types of international experience of varying geographic breadth from the most general to the most specific, as represented in Figure 1, are: general international operations experience, region-specific experience, and country-specific experience. General international operations experience is international experience that a firm accrues by operating internationally rather than in any particular country (Yu, 1990). Region specific experience is international experience that a firm accrues when it gains experience in a particular geographic region (e.g. Barkema & Drogendijk, 2007; Brouthers et al., 2003). Country-specific experience is international experience that a firm accrues when it gains experience in a particular country (Yu, 1990). Having country-specific experience as the most specific type of geographically-based international experience overlooks

³ As the types and dimensions of international experience have not arisen exclusively within the context of the international experience – performance relationship, the studies cited in this section include not only studies on this topic but also those considering international experience in other contexts.

the likelihood of substantial differences between geographic areas within a particular country.⁴

This suggests that there should be at least a fourth geographically-based type of international experience, which would account for the different experiences gained in different areas within a country.

<Insert Figure 1 about here>

The second category of international experience is experience with a particular mode of entry (e.g. Gao et al., 2008). While entry mode experience is a distinct form of international experience, it may equate with one or more of the geographic sources of experience. For example, the length of entry mode experience may be equivalent to the length of general international operations experience if a firm has only used one mode of entry for its international operations.⁵

There are two other more specific types of international experience that have been described in prior studies: ongoing business experience (Chetty et al., 2006) and decision specific experience (Padmanabhan & Cho, 1999; Cho & Padmanabhan, 2005). Decision specific experience is accrued as a result of experience with a particular decision, such as entry mode (Padmanabhan & Cho, 1999) or ownership structure (Padmanabhan & Cho, 1999; Cho & Padmanabhan, 2005). In light of these examples, decision specific experience can be seen as a subset of entry mode experience because different levels of ownership tend to coincide with particular entry modes.

⁴ Specific examples of such differences within the same country are given below as part of the discussion of the scope of international experience.

⁵ For firms only engaged in exporting, the length of exporting experience is equivalent to the length of general international operations experience.

Ongoing business experience refers to the experience gained from one specific operation involving a business relationship with either one more customers or suppliers in a foreign country (Chetty et al., 2006). Although Chetty et al. (2006) identify ongoing business experience as a separate type of experience, it may also be thought of in terms of a more specific expression of country-specific experience gained through a particular business relationship.

2.2 Dimensions of international experience

Prior studies have tested the influence of four different dimensions of international experience on firm performance. Each dimension appears to be capable of application to any of the types of experience identified above. The two most commonly recognized dimensions of international experience are length and scope. The third and less widely recognized dimension is the diversity of a firm's experience. This section of the paper also identifies and develops a fourth dimension of experience, referred to as the intensity of international experience, which has not previously been recognized or addressed by prior international-experience performance studies.

2.2.1 Length of experience

Length of experience refers to time-based experience (Luo, 1999). This time-based dimension of experience is important because it takes time for an organization to internalize the lessons learned from its international operations (Tsang, 1999). Time-based experience may also be important because only over a sufficient time period will firms face enough events from which performance enhancing lessons may be learnt. As firms' experience accumulation, knowledge development, and learning takes time (Johanson & Vahlne 2003, 2006, 2009), none of the other dimensions should be considered independently of time-based experience.

2.2.2 Scope of experience

The scope of experience captures the geographic diversity of firms' international experience (Erramilli, 1991), thereby accounting for different markets providing firms with different lessons. Although this dimension of international experience has not been explored in the context of country-specific experience, there is no theoretical rationale as to why it could not also apply to country-specific experience. The scope of experience across different regions within a particular country would be particularly relevant where there are significant differences between regions within the same country. For example, Shanghai, Beijing, Tianjin and the open coastal cities enjoy better infrastructure, larger customer bases and more open markets than other regions in China (Pan & Chi, 1999), providing different experiences than these other regions.

2.2.3 Diversity of experience

In the context of country-specific experience, Luo and Peng (1999) recognized a third dimension of international experience, diversity of experience, which is conceptualized in terms of the breadth of a firm's experience across its variety of products, the breadth of both the retail and wholesale markets to which it distributes, and the diversity of its buyers. Thus, the diversity of experience focuses on how a firm's experience in a host country may differ by reference to the diversity of its activities.

2.2.4 Intensity of experience

The final dimension of international experience is the intensity of international experience. Although the term intensity of experience has been mentioned in the literature, researchers have considered it to be equivalent to time-based experience (e.g. Luo, 1999; Erramilli, 1991; Luo &

Peng, 1999) with the exception of Li and Meyer (2008), who acknowledge that the years of experience measures the length of experience but does not necessarily measure its intensity. The manner in which intensity of experience differs from time-based experience is best demonstrated with a hypothetical scenario. Two firms each with five years' experience (equal time-based experience) in a particular country could operate different numbers of subsidiaries (different intensity of experience) in that country. It seems reasonable to expect that the firm operating more subsidiaries would gain more experience per unit of time than its competitor due to its higher intensity of experience.

Intensity may not be limited to more intense use of the same entry mode in terms of establishing multiple subsidiaries instead of one subsidiary. It may also be conceptualized in terms of the intensity of a firm's entry into a foreign market, such as the selection of a higher intensity entry mode (e.g. subsidiaries instead of exporting). The level of commitment is important because entry modes that are closer to the foreign market, such as a wholly owned subsidiary, provide a firm with more chances for radical learning (Yeoh, 2004) and result in higher market knowledge than lower commitment entry modes (Millington & Bayliss, 1997). For example, Barkema and Drogendijk (2007) found that once firms had conducted two FDI projects, their experience caught up to firms that had entered the market with contractual entry modes. This supports the contention that intensity of experience influences the rate at which market knowledge is accumulated. In addition to learning more about a market per unit of time, intensity of experience might also be beneficial in terms of leveraging existing experience. A higher intensity of experience means that a firm's existing experience is transferred to more of its operations and is therefore more fully exploited.

2.3 Independence of the dimensions of experience

While the four dimensions of international experience are separately identifiable, each dimension in isolation produces only partial effects. If the scope of experience were considered in isolation, the time-based nature of experiential learning would be neglected and all that would be captured would be the geographic dispersion of a firm's operations, which is a measure of internationalization. On a similar vein, the length of experience overlooks the diverse experiences that a firm gains from the scope of the foreign markets in which it operates. If only time-based experience were measured, two firms operating internationally for an equal number of years would be considered to have the same amount of international experience but could have a vastly divergent scope of experience. Notwithstanding this important point, most researchers have not considered the two types of experience concurrently.⁶

To some extent it may be argued that the longer a firm has been operating internationally, the more likely it is that it will have a broad scope of international experience, and vice versa. The existence of born global firms operating across a range of markets (Weerawardena et al., 2007) shortly after their inception would suggest that this is not always the case. Until researchers address this issue directly, the extent to which empirical results may be influenced by not concurrently accounting for several dimensions of experience remains unknown.

3. The Outcomes of International Experience

For there to be a positive relationship between international experience and performance, international experience must provide firms with benefits that influence their performance

⁶ Two exceptions are Dow and Ferencikova (2010) and Evans, Mavondo and Bridson (2008), where the length and scope dimensions are combined to a single variable measuring international experience.

outcomes. We now identify the benefits of international experience mentioned in prior international experience – performance studies, grouping those benefits under common themes and linking them to relevant theory. While the existing literature recognises a range of benefits that stem from international experience, to the best of our knowledge, those benefits have not been collated previously into a single paper. In addition, the sequence of how those benefits arise has not previously been explored in the literature. The identification of the sequence in which the benefits of international experience arise should prove useful in future research into the process by which international experience translates into higher performance.

To propose a sequence of how the benefits of international experience arise, we distinguish between the first-stage and second-stage benefits of international experience. First-stage benefits of international experience are benefits that arise directly from a firm's international experience. Second-stage benefits however, arise indirectly through the first-stage benefits. For example, Delios and Beamish (2001) argue that experience results in the development of new capabilities that reduce the liability of foreignness. Thus, while a reduction in the liability of foreignness is a benefit of international experience, it arises because a firm develops new capabilities or market knowledge. For some outcomes, it is unclear whether they arise from first-stage benefits (i.e. they are second-stage benefits) or whether they arise from second-stage benefits. In the latter situation, we refer to the benefits as second- or later-stage benefits.

3.1 Knowledge

An important first-stage benefit of international experience is increased knowledge. From country-specific experience, firms gain market-specific knowledge about a specific national

market by operating in that market (Luo, 2000; Johanson & Vahlne, 1977; Makino & Delios, 1996). The knowledge gained from country-specific experience has been disaggregated into ‘foreign business knowledge’ and ‘foreign institutional knowledge’ (Eriksson et al., 1997). Foreign business knowledge refers to the knowledge that a firm gains from its experience about a foreign market, and the customers and competitors in a foreign market (Eriksson et al., 1997; Eriksson et al., 2000). Foreign institutional knowledge refers to the knowledge that a firm gains from its experience about the government and institutions, values, norms, and rules of a foreign market (Eriksson et al., 1997, 2000).

The knowledge gained from general international operations experience is referred to as knowledge of the internationalization process (Eriksson et al., 1997, 2000). As it concerns internationalization in general, it is not country-specific (Eriksson et al., 2000). For example, firms accumulate knowledge of how to cope with foreign cultures and environments (Barkema & Drogendijk, 2007).

3.2 Absorptive capacity

Although increased knowledge is beneficial in and of itself, it is also likely to result in second-stage benefits. One of the second-stage benefits of international experience is enhanced absorptive capacity. Absorptive capacity is the ability to identify the worth of new information and then to understand and commercially apply it (Cohen & Levinthal, 1990). For example, Barkema and Drogendijk (2007:1144) argue that internationally experienced firms develop a complex learning skill involving “... the skill to absorb new concepts and new linkages between concepts, and translate them into new rules, procedures, conventions, and strategies that work in

a new cultural bloc”. This appears to equate to absorptive capacity because it involves the understanding, and commercial application of, new knowledge gained from international experience.

Prior related knowledge is the foundation of absorptive capacity (Cohen & Levinthal, 1990).

International experience increases the overlap between a firm’s knowledge of its existing markets and its new markets (Barkema & Drogendijk, 2007), making it more likely that any new knowledge that the firm encounters will be related to its existing knowledge. As absorptive capacity stems from knowledge, it is a second-stage benefit of international experience.

3.3 Innovation

In addition to the connection between international experience and absorptive capacity, Barkema and Drogendijk’s (2007) reference to new linkages between concepts suggests a connection between international experience and innovation. They make an even more direct reference to innovation when proposing that international experience may also result in novel solutions for managing cultures. Another direct reference to innovation appears in Luo and Peng (1999) where the authors argue that the possibility of learning different ways of doing things from a diversity of international experience promotes innovation. This suggests that a diverse scope of international experience may result in internationally experienced firms becoming increasingly innovative.

3.4 Experience curve effects

In broad terms, the experience curve refers to an increase in productivity accompanied by a reduction in costs that is enjoyed by a firm as it gains experience (Chambers & Johnston, 2000). Even though international experience is accumulated in a specific context, namely through operations in international markets, it is nevertheless a form of experience. Thus, it can be expected to provide firms with some of the advantages associated with experience curve effects. For example, firms with international experience could be expected to enjoy cost savings due to increased efficiency (Luo & Peng, 1999). It is likely that some change in the firm is required to achieve these cost efficiencies, which suggests that experience curve effects are a second- or later-stage benefit of international experience.

3.5 Capabilities

The most frequently promoted benefits of international experience are the development of new capabilities (Delios & Beamish, 2001), such as learning capabilities (Magnusson et al., 2009; Carlsson et al., 2005) and market sensing capabilities (Evans et al., 2008), as well as the augmentation of existing capabilities (Delios & Beamish, 2001). This is beneficial because the development of new capabilities can increase firm performance (Gao et al., 2008). As the knowledge gained from experience can be turned into a capability (Luo, 2000), such as managerial systems to administer international operations (Millington & Bayliss, 1997), capabilities arise as second-stage benefits of international experience.

3.6 Reduction in the liability of foreignness

One benefit of international experience is a reduction in the liability of foreignness (Wang et al., 2005). The new capabilities that are developed as a result of experience assist in reducing the liability of foreignness (Luo & Peng, 1999; Delios & Beamish, 2001) as does increased familiarity with (Delios & Beamish, 2001), and knowledge of, the local market (Gao et al., 2008; Luo & Peng, 1999). This suggests that a reduction in the liability of foreignness will be a second- or later-stage benefit of international experience.

3.7 Other benefits

Aside from the benefits discussed above, there are many other benefits of international experience. International experience reduces uncertainty (Evans et al., 2008; Katsikeas et al., 1996; Luo, 1999) and perceived risk (Evans et al., 2008). It also allows firms to benefit from established relationships (Gao et al., 2008; Katsikeas et al., 1996; Magnusson et al., 2009), favourable status (Magnusson et al., 2009), local image (Luo & Peng, 1999) and increased confidence (Luo, 1999; Evans et al., 2008).

3.8 Negative outcomes

The outcomes of international experience discussed above are all positive in that they are considered to assist firms to achieve improved performance. As negative relationships between international experience and performance have been found in some studies (e.g. Ogasavara & Hoshino, 2009; Wang et al., 2005), the circumstances in which international experience may be detrimental to firm performance should be explored. There are several ways in which international experience may hinder firm performance. First, a firm may become over-confident

about its ability to operate in foreign markets, resulting in inadequate preparation for foreign market entry. Second, it could have become overly adapted to a particular foreign market(s), so that where adaptation to a new market is required, the firm finds that change has become difficult.

4. A Review of Empirical Studies on International Experience and Performance

The existing empirical literature can be organized by the type and dimension of international experience, the level at which experience is accumulated, and the level of the dependent variable, as set out diagrammatically in Figure 2. Figure 2 is a visual representation that depicts the relationships that have been studied with solid arrows and the relationships that have not yet been studied with dashed arrows.⁷ There have been conflicting findings across prior studies, which may be explained by the range of measures used, methodological issues, omitted variables, and the models tested.

<Insert Figure 2 about here>

4.1 Models tested

4.1.1 Interaction/ moderation and mediation effects

There may be interaction effects between the different types of international experience. Notably, none of the studies identified consider the influence of the interaction of the types of experience discussed here on corporate level performance. Interaction effects can also occur between

⁷ Given the large number of possible relationships depicted in Figure 2, it is not reasonably practicable to discuss in adequate depth each of the possible relationships within this paper. It should be noted that the relationships that have not yet been studied, which are identified by the dashed arrows, are possible relationships that may not apply to the circumstances of particular sample firms.

international experience accumulated at different levels within a firm. For example, Luo (1999) theorizes that general international operations experience may mediate the relationship between the length of country-specific experience and performance due to its boosting firms' learning processes. Support for this proposition may be found in the finding that an average level of international experience is required for a firm to benefit from its FDI experience in the host country or the host country's cultural bloc (Barkema & Drogendijk, 2007). Only two studies, Wang et al. (2005) and Makino and Delios (1996) were identified that have investigated the interaction between experience accumulated at the business unit level and experience accumulated at the corporate level. Both of those studies considered one dimension of experience, namely the length of experience. There is opportunity for future studies to consider the large number of potential interaction effects between other types and dimensions of experience accumulated at different levels within the firm.

The interaction effects are likely to extend beyond interactions between different types of experience. The vast majority of the models tested in the studies identified only consider the direct effect of international experience on performance. Consideration of other variables moderating the relationship between international experience and performance has been limited to intangible assets (Delios & Beamish, 2001), environmental conditions (Luo & Peng, 1999), and cultural distance (Luo, 1999).

4.1.2 Non-linearity of international experience

When testing the influence of the length of international experience on performance, the non-linear forms of the experience variables have been tested infrequently (e.g. Gao et al., 2008; Luo

& Peng, 1999), yet the relationship between international experience and performance may not be linear. One possibility is that insufficient experience may detract from performance due to a combination of the liability of foreignness and inappropriate generalizations. For example, in the acquisition context, if a firm does not have sufficient experience to be able to recognize whether the generalization of prior experience to current events is appropriate, it is at risk of making inappropriate generalizations, which could result in a U-shaped relationship between experience and performance where a low level of experience initially impairs firm performance (Haleblian & Finkelstein, 1999). A second possibility is that experience may have to reach a critical level to have any impact on the firm (Yu, 1990). A third possibility is advanced by Luo and Peng (1999), who found partial support for an inverted U-shaped relationship between a subsidiary's length of experience and its financial performance. They hypothesized that the inverted U-shaped relationship may be the result of a firm's initial experience benefiting it until its competitors later competed away its experience-based advantage as they gained their own experience.

4.2 Omitted variables

There is a possibility that the conflicting results of prior studies on this topic may be due to the influence of omitted variables from the models tested. Some key omitted variables are identified below and are included in a more fully specified model that appears as Figure 3.⁸

<Insert Figure 3 about here>

⁸ As Figure 3 is intended to be a starting point to guide future research, model clarity was chosen over a more complex figure displaying potential competing models. To achieve this single model, second or later stage effects are represented as second stage effects in a single model, rather than second stage effects in one model and third stage effects in a competing model.

4.2.1 Rate of international experience accumulation

The three examples of the non-linearity of international experience above concern the non-linear relationships between a level of international experience and firm performance. It is conceivable that non-linear relationships could also apply to the rate of accumulation of experience. If a firm is unable to reflect upon certain experiences, they will not contribute to its experiential knowledge structure (Eriksson et al., 2000). Thus, an organization's learning will be reduced when it becomes too complex due to information overload (Barkema & Vermeulen, 1998). For example, in the case of a firm's scope of international experience, if the firm continually diversifies into new foreign markets, it can suffer from information overload (Yeoh, 2004) due to higher cultural diversity and transaction costs (Zahra et al., 2000). This suggests that there could be a maximum rate of experience accumulation beyond which time compression diseconomies (Dierickx & Cool, 1989) may emerge and the benefits arising from additional experience decline as the rate of accumulation increases. Therefore, additional experience that is accumulated at an excessive rate may not be particularly beneficial for a firm.

Researchers should include variables that account for the rate at which firms have accumulated their international experience otherwise the results may be confounded by whether firms have been able to process their experience adequately.

4.2.2 Substitutes for international experience

Acquisitions of internationally experienced firms, alliances with internationally experienced firms, recruiting internationally experienced managers, and learning from reports of internationally experienced firms may all substitute for firm international experience to some

extent. Firms that enjoy an effective substitute for international experience will also enjoy performance enhancing benefits of international experience that exceed the benefits that would ordinarily be associated with their current international experience. In empirical work, effective substitutes will probably result in the influence of a firm's level of international experience on its performance being overstated.

Prior studies rarely include variables that control for substitutes for international experience. While some studies include a variable for joint ventures (Carlsson et al., 2005) or greenfield ventures versus acquisitions (Dikova, 2009), in many cases⁹ it is unknown whether a firm's joint venture partner or an acquired firm possesses relevant international experience upon which a firm can draw to enhance its performance. In addition, although firms that have only recently entered the international arena may rely heavily on the international experience of the firm's founders, managers' international experience is almost universally overlooked¹⁰.

4.2.3 Deriving benefits from international experience

Firms do not automatically learn from their experience because experience merely presents firms with the opportunity to learn (Pisano et al., 2001). Firms' ability to exploit learning opportunities could conceivably depend on several factors such as intention and desire to learn (Tsang, 1999), capability to learn and resources devoted to learning. If firms differ on these three factors, the benefits that they derive from their international experience will differ, and the influence of international experience on performance will differ across firms. Although Johnson

⁹ For an exception, see Makino & Delios (1996) where a dummy variable identifies whether a partner firm is a local partner.

¹⁰ For an exception, see Carlsson et al. (2005) where a variable captures board members' and managers' regional experience.

et al. (2009) account for firms' learning capacities and Yeoh (2004) accounts for firms' market learning, technological learning and social learning, prior studies generally do not control for differences in firms' abilities to benefit from their international experience.

4.2.4 Entry mode

A firm's internationalization process history, in terms of the entry modes it has employed, is also important because activities later in the establishment chain provide a firm with "...more differentiated and wide market experience" (Johanson & Vahlne, 1990:13) and more market knowledge (Millington & Bayliss, 1997). This argument is supported by the findings of Barkema and Drogendijk (2007), where once firms had conducted two FDI projects, their experience equated with that of firms that had entered the market with contractual entry modes. This may explain some of the conflicting findings in the literature because some studies (e.g. Katsikeas et al., 1996; Nakos et al., 1998) only considered firms involved in exporting, which would gain less knowledge from their experience than would firms that internationalized through higher commitment entry modes. Researchers need to be aware of the entry modes employed by their sample firms and the relative amount of experience likely to be accumulated from those entry modes.

4.3 Measures employed

4.3.1 International experience

It was argued earlier that the dimensions of international experience, other than the length dimension, should be considered concurrently with the length of experience. This suggests that multidimensional measures of experience would be appropriate with the length of experience

included as one of the dimensions. Yet multidimensional measures have been used rarely in this literature (e.g. Dikova, 2009; Evans et al., 2008).

The common measures of the length of international experience count the years that a firm has been involved in a particular international activity or area. Such an approach assumes that all years of a firm's experience remain equally relevant to its current operations. Unfortunately, the effects of experience may be reduced by the antiquation of experience (Ingram & Baum, 1997), which would occur when experience is rendered less important due to dramatic industry changes, such as the impact of a move to floating exchange rates on currency traders (Zaheer, 1995), or to dramatic changes in foreign host countries. Therefore, by measuring the total years of a firm's international experience, prior studies may have overstated the firm's level of relevant international experience.

4.3.2 Performance

An analysis of a firm's level of international experience in a particular year against the firm's performance figures for that same year assumes that the benefits of experience manifest immediately in a firm's performance, which seems unlikely to be the case. In this situation, it seems appropriate to use forward-looking measures of performance, such as market-based measures and/or to employ lagged dependent variables. Notwithstanding the appropriateness of either of these options, only a very small number of studies (Ogasavara & Hoshino, 2009; Magnusson et al., 2009; Zahra et al., 2000) have accounted for lagged effects, and none of the identified studies employed a market-based measure of performance. Future research should consider an appropriate manner for accounting for the delayed influence of international

experience on firm performance, possibly through market-based measures of performance and lagged variables.

5.0 Conclusion

There are two main directions in which the literature in this area can progress. The first direction is to continue to investigate the influence of the various types and dimensions of international experience accumulated at different levels within the firm on performance. For researchers interested in pursuing this line of inquiry, the dashed arrows in Figure 2 indicate where the current research gaps lie. The second direction is to depart from the existing focus on the types and dimensions of international experience and instead focus on measuring and testing the first- and second-stage benefits arising from international experience that are identified in this paper.

Irrespective of whether future research proceeds in the first or second direction described above, addressing the issues with the models tested in prior studies will be an important step forward. In particular, when formulating their research designs, researchers should consider whether it is appropriate to test for interaction effects, as well as non-linear relationships. In addition, the inclusion of variables that control for factors such as the rate of experience accumulation, substitutes for international experience, firms' abilities to derive benefits from their international experience, and firms' entry mode will reduce the likelihood of confounded results. When specifying their variables, researchers need to account for the possibility of firms' international experience having a delayed effect on their performance, as well as whether the measurement error of experience variables could be reduced by directly accounting for the length dimension of international experience.

In addition to raising awareness of these research design issues, this review has also raised theoretical issues for consideration. For example, this paper has identified and explained how the intensity of international experience is a separate and independent dimension of international experience. This view departs from the common perception in the literature that it is equivalent to the length or time-based dimension of international experience. Further, existing literature has presented various performance enhancing benefits that firms enjoy as a result of accruing various types and dimensions of international experience. This paper not only collates those benefits into a single paper, but also proposes a sequence in which those benefits arise, which is presented in the model in Figure 3. Finally, since negative relationships have emerged in the findings of prior research, this literature could be enhanced by the development of theory explaining why international experience may detract from firm performance in certain situations. While this review has demonstrated that the existing literature has built a solid foundation, it is hoped it will engender further interest in this area as well bringing some key issues to the attention of researchers to guide future studies.

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Figure 1. Types of international experience

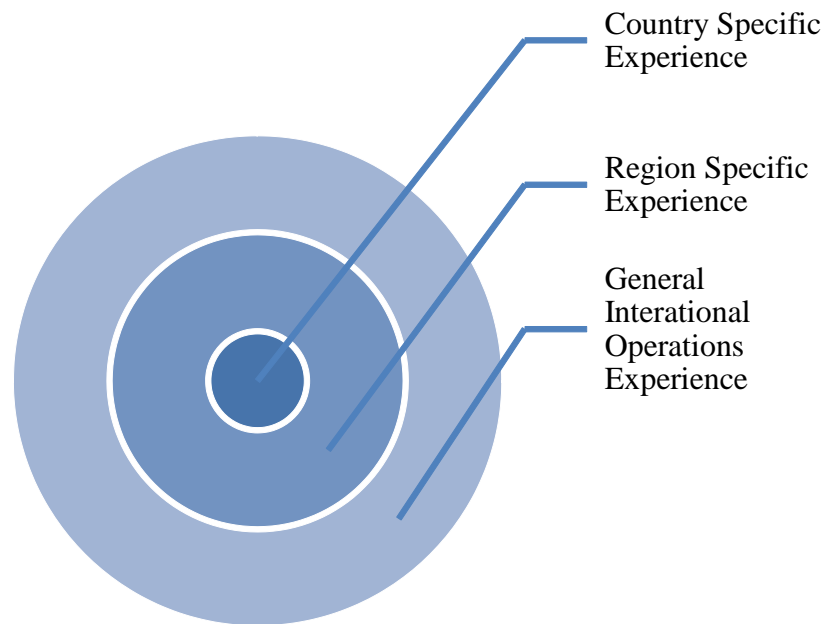
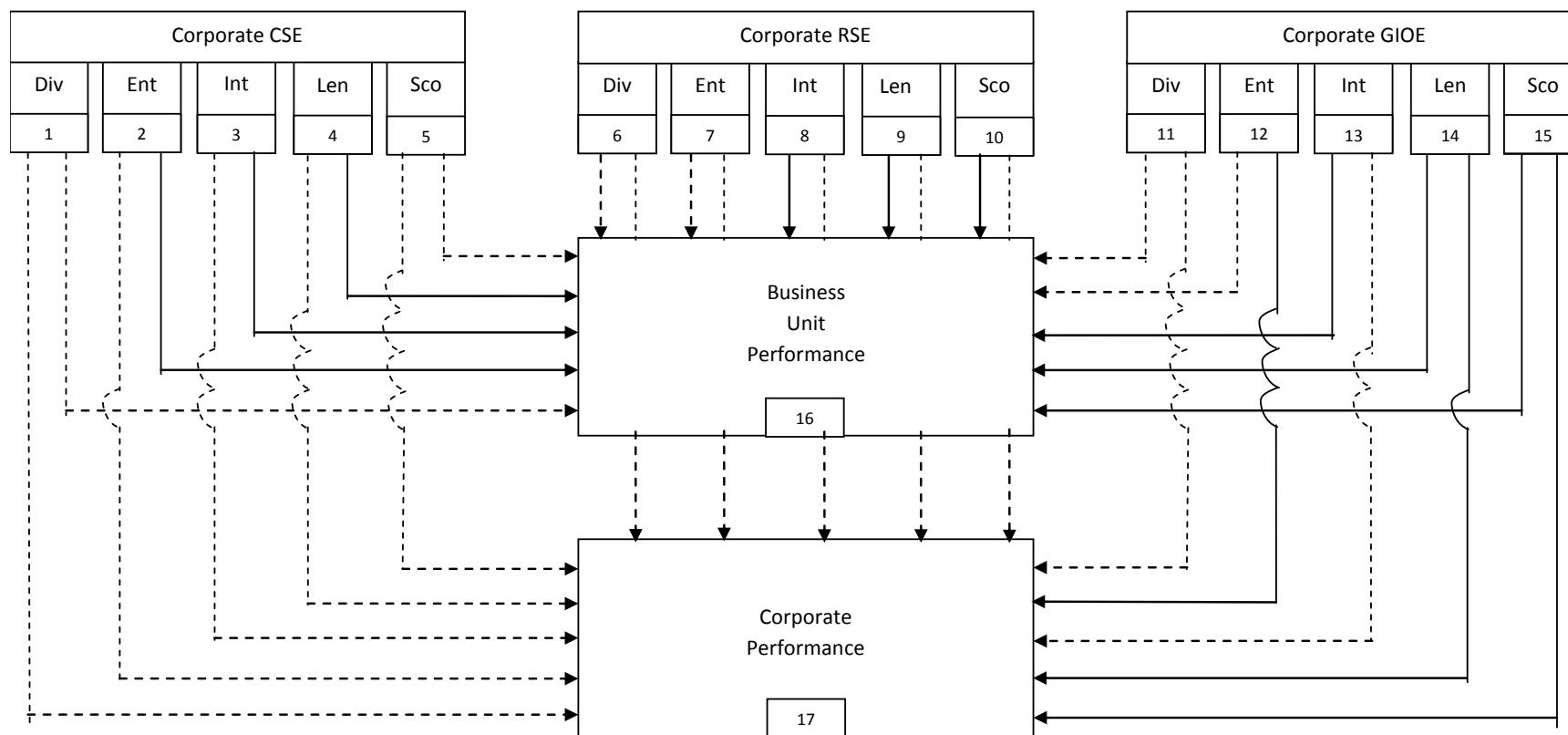


Figure 2 Part A. Existing research & research gaps: corporate level international experience – performance



Div = diversity of experience

Ent = entry mode experience

Int = intensity of experience

Len = length of experience

Sco = scope of experience

CSE = country specific experience

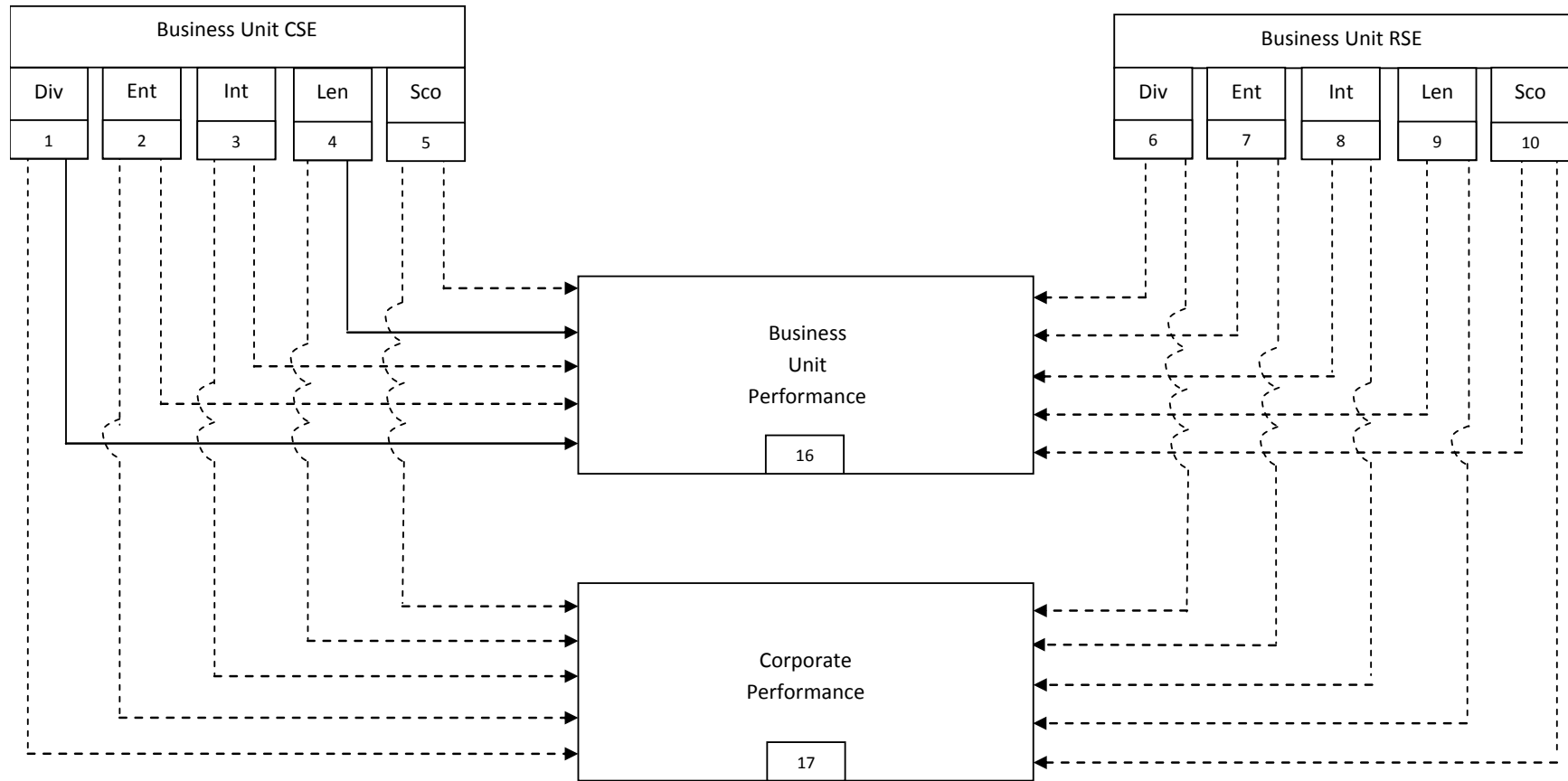
RSE = region specific experience

GIOE = general international operations experience

-----> = relationship yet to be investigated

-----> = relationship investigated

Figure 2 Part B. Existing research & research gaps: business unit level international experience – performance



Div = diversity of experience

Ent = entry mode experience

Int = intensity of experience

Len = length of experience

Sco = scope of experience

CSE = country specific experience

RSE = region specific experience

GIOE = general international operations experience

-----> = relationship yet to be investigated

-----> = relationship investigated

Figure 3. A proposed model of the international experience – performance relationship

