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**Research Article / *Araştırma Makalesi***

# THE INTERNATIONALIZATION-FIRM PERFORMANCE RELATIONSHIP: A META-ANALYSIS FOR MNCs*

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## ABSTRACT

*Numerous studies have been conducted to examine the internationalization-firm performance relationship. However, a definitive consensus has not yet emerged in the literature due to varying findings. Therefore, this study aims to examine the relationship between internationalization and firm performance through meta-analysis. The study analyzed data from 170 samples and 334,855 Multinational Companies (MNCs) obtained from SSCI and Scopus databases for published studies, and doctoral theses for unpublished studies, using the random effects model. The analysis revealed a significant, positive, and small combined effect size between internationalization and firm performance. The study found that financial leverage, sector, time period, research and development (R&D) intensity, home country development, and firm age were statistically significant as subgroup variables. However, unrelated product diversification, firm size, and advertising intensity were not statistically significant. It has been determined that the subgroup variables with a higher combined effect size are developed country MNCs, MNCs in the service sector, older MNCs, and MNCs with high financial leverage. It is also found that the combined effect size for MNCs is lower than before 2003.*

***Keywords:*** *Internationalization, Firm Performance, Financial Performance, Meta-Analysis, MNCs*

***JEL Classification:*** *L25, M16, M19, M29*

# ULUSLARARASILAŞMA-FİRMA PERFORMANSI İLİŞKİSİ: ÇOKULUSLU ŞİRKETLER İÇİN BİR META-ANALİZ

## ÖZET

*Günümüze kadar uluslararasılaşma ile firma performansı arasındaki ilişkiye yönelik birçok çalışma yapılmıştır. Ancak, farklı bulgular nedeniyle literatürde henüz kesin bir görüş birliği oluşmamıştır. Bu bağlamda çalışmanın amacı, uluslararasılaşma ile firma performansı arasındaki ilişkiyi meta-analiz ile incelemektir. Çalışmada, veri olarak yayınlanmış çalışmalar için SSCI ve Scopus veritabanlarından elde edilen makaleler, yayımlanmamış çalışmalar için doktora tezleri kullanılmıştır. 170 örneklem ve bu örneklemlerdeki 334.855 Çokuluslu Şirket (ÇUŞ) verisi rastgele etkiler modeli kullanılarak analiz edilmiştir. Analiz sonucunda, uluslararasılaşma ile firma performansı arasında anlamlı, pozitif ve küçük düzeyde birleşik etki büyüklüğüne ulaşılmıştır. Alt grup değişkenler olarak finansal kaldıraç, sektör, zaman dilimi, araştırma-geliştirme (Ar-Ge) yoğunluğu, ana ülke etkileri ve firma yaşı istatistiksel olarak anlamlı*

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*bulunmuştur. Buna karşın ilişkisiz ürün çeşitlendirme, firma büyüklüğü ve reklam yoğunluğu istatistiksel olarak anlamlı bulunmamıştır. Bu doğrultuda birleşik etki büyüklüğünün daha yüksek olduğu alt grup değişkenler olarak gelişmiş ülke ÇUŞ'ları, hizmet sektöründeki ÇUŞ'lar, daha yaşlı ÇUŞ'lar ve finansal kaldıracın yüksek olduğu ÇUŞ'lar olduğu tespit edilmiştir. Aynı zamanda, ÇUŞ'lar için birleşik etki büyüklüğünün 2003 öncesine göre daha düşük olduğu bulgusuna ulaşılmıştır.*

***Anahtar Kelimeler:*** *Uluslararasılaşma, Firma Performansı, Finansal Performans, Meta-Analiz, ÇUŞ'lar*
***JEL Sınıflandırması:*** *L25, M16, M19, M29*

## 1. Introduction

Over the past fifty years, numerous theoretical and empirical studies have investigated the internationalization-firm performance relationship (Glaum & Oesterle, 2007). However, research on firms in developing countries began mainly in the 2000s and has since gained more attention. Although studies conducted during this period have made significant contributions to the literature, no definitive consensus has been reached due to varying findings (Ruigrok & Wagner, 2004). The heterogeneity of studies on the internationalization-firm performance relationship results in varying opinions and outcomes due to different effect dimensions and relationship types (Bausch & Krist, 2007: 320). Meta-analysis can provide a clearer conclusion on the subject by combining the effect sizes of individual studies to determine the combined effect size. Meta-analysis synthesises results from multiple studies with different characteristics and patterns conducted in various locations and times to reach common conclusions. It helps determine whether differences between studies are due to chance or not. At the same time, the reasons for the non-coincidental differences in individual studies can also be explained. Meta-analysis improves the accuracy of individual studies that reach similar results and increases the certainty of the results with larger sample sizes. Previous meta-analyses have consistently found that internationalization has a positive impact on firm performance (Arte & Larimo, 2022; Bausch & Krist, 2007; Debicki et al., 2020; Kirca et al., 2011; Kirca et al., 2012; Marano et al., 2016; Ruigrok & Wagner, 2004; Schulze et al., 2016; Schwens et al., 2018; Wu et al., 2022; Yang & Driffield, 2012). The literature has mainly concentrated on newly internationalising companies, small and medium-sized enterprises, and firms from developed countries. Nevertheless, there is a lack of meta-analysis for the studies conducted in developing countries. This study includes both developed and developing country firms. However, it differs from previous studies as it focuses solely on Multinational Corporations (MNCs). According to the OECD (2018), MNCs are significant actors in shaping the global economy, accounting for one-third of total production, half of global exports, one-third of the world's Gross Domestic Product, and one-fourth of total employees. Therefore, the scope of this study is to analyse the internationalization-firm performance relationship not only for developed country MNCs but also for developing country MNCs. The study will consider all published and unpublished studies (only doctoral dissertations) that meet the inclusion/exclusion criteria for the effect of internationalization on firm performance, as scanned in the SSCI and SCOPUS indexes. The aim of this study is to provide a more comprehensive analysis of how and to what extent internationalization affects firm performance.

This study comprises five chapters. Chapter two includes the literature review and the corresponding hypotheses. Chapter three covers the research methodology, sample selection,

data collection, heterogeneity, model selection, publication bias, and interpretation of effect sizes. The meta-analysis process included heterogeneity analyses, publication bias analyses, combined effect size analyses, and subgroup analyses in the fourth section. Findings were obtained, and hypotheses were tested. The fifth section evaluated the findings, included suggestions, and limitations.

## 2. Literature Review

This section reviews the literature on the internationalization-firm performance relationship. The factors that have an influence on this relationship are also examined. Ten hypotheses are presented in this regard.

### 2.1. The Internationalization-Firm Performance Relationship

There is a long history of studies in developed countries, documented in the literature. However, it has become a significant growth strategy for firms in developing countries, particularly since the 2000s. İnternationalization has an impact not only on a firm's turnover and employment, but also on its overall performance (Hızarcı, 2015: 59). In this framework, firms consider the internationalization-firm performance relationship when determining the level of internationalization (Göker & Uysal, 2017: 158).

The primary motivation for firms to internationalize is to access lower cost resources overseas (Buckley & Casson, 1976). In this context, firms that aim to expand abroad can benefit from factors such as lower labour wages, lower raw material costs, and lower transportation costs, resulting in higher returns (Dunning, 1979). However, firms may choose to expand into new markets to establish a monopoly by utilising unique assets, particularly intangible assets, through foreign direct investment (FDI). This strategy also allows them to take advantage of other benefits in foreign markets (Hymer, 1960). By investing in various geographical regions, MNCs can access diverse resources, establish network organizations in different markets, both with their own subsidiaries and with other firms, and have stronger bargaining power by making more use of market imperfections through global brand image building. MNCs can decrease their expenses by capitalizing on economies of scope and scale. This is achieved by producing and selling goods on a large scale in specific countries. As companies expand to new markets, they must adapt and innovate accordingly (Yang & Driffield, 2012: 24). This can increase their competitiveness and generate higher returns from multiple markets (Hitt et al., 1994). Therefore, internationalization can help to reduce the costs and risks associated with innovation (Hymer, 1960).

Internationalisation enables companies to benefit from global markets and increase profits (Rugman, 1980). Specifically, MNCs operating in multiple markets can increase profits by shifting sales from low-income to high-income markets or by capitalising on opportunities in high-income markets. When products become outdated in high-income markets, they can be sold in low-income markets to extend the life of the product line. Simultaneously, MNCs may increase profitability by relocating production to economies with lower taxes, higher incentives, and more liberal economic policies (Azuayi, 2016: 1). As MNCs expand their overseas operations, they gain knowledge and experience about new markets, reducing the likelihood of failure and increasing profits by utilizing additional resources (Johanson & Vahlne, 1977).

Internationalization can also result in expenses, often caused by insufficient knowledge of the target market's location. Each market has unique characteristics, such as legal regulations, business practices, culture, language, and distribution. Due to these differences, companies engage in expensive activities to gather market information, establish reliable relationships, facilitate transportation, and coordinate operations. Thomas & Eden (2004: 97) argue that it is more costly because it is more difficult coordinate and manage new operations in different markets. Additionally, costs are further increased by dealing with suppliers, customers, governmental bodies, intermediary firms, and new employees to be recruited. To overcome these challenges, firms must effectively coordinate their operations across multiple markets (Lu & Beamish, 2004: 600). Additionally, as the number of overseas markets and production locations grows, MNCs face the costs of adapting to new and diverse cultures. Empirical research indicates that as firms expand to more culturally distant countries, the burden of foreignness increases (Gomes & Ramaswamy, 1999: 177).

### 2.2. Factors Affecting the Internationalization-Firm Performance Relationship

The literature highlights numerous factors that influence the internationalization-firm performance relationship. Consistent with the studies analysed in the meta-analysis, the main factors that stand out are country effects, industry type, time period, firm size in terms of firm-specific advantages, firm age, product diversification, R&D intensity, advertising intensity, and financial leverage variables in terms of firm-specific intangible assets. Notably, the financial leverage variable is considered an important difference in this study, as it has not been fully addressed in previous meta-analyses.

MNCs from developed and developing countries are distinguished in the literature. In this regard, country-specific differences in physical infrastructure, capital accumulation, financial resources, and human resources are particularly significant. It is crucial to note that subjective evaluations should be excluded unless clearly marked as such. Secondly, the institutional characteristics of the host country can be indicated by variables such as political, legal, and social institutions (Hitt et al., 2006: 834-835). Developed country firms are generally considered to have an advantage over developing country firms when these aspects are taken into account. According to Gubbi et al. (2010: 398), developed country MNCs can benefit from superior competitive advantages in international expansion by relying more on the skills needed in their home countries. Developing country MNCs may not have the same advantage. Additionally, the intense competition and improved demand structure in their home country markets make them more competitive. Furthermore, the high-quality institutional environments of developed countries allow MNCs to benefit from intellectual property protection, which helps them maintain their competitive advantage (Wan, 2005: 163).

The literature primarily examines the distinctions between the service and manufacturing sectors (Kırca et al., 2012). The intangible nature of services is the main difference between the two sectors. Production and consumption processes occur simultaneously based on human interaction between employees and customers to provide services efficiently. Outputs are not homogeneous due to customer participation in service production, which causes significant differences in service quality. Additionally, services cannot be stocked (Contractor et al., 2007: 406). Kirca et al. (2012) argue that the internationalization-firm performance relationship is expected to be weaker in the service sector than in the manufacturing sector. This is becau-

se the service sector is intangible, which makes it difficult to transfer to third parties without incurring significant transaction costs, thereby increasing initial investment costs (Capar & Kotabe, 2003: 349). Simultaneously, the lack of economies of scale in the service sector results in increased costs for internationalization activities (Kirca et al., 2012: 113).

In the past, the benefits of internationalization were higher due to the limited number of MNCs worldwide and the lack of product diversity. Additionally, high trade barriers allowed a small number of firms to invest more FDI in the countries where they operated abroad, and less competition in the markets they entered led to higher firm performance. Hymer (1976) attributes the cause of internationalization to market imperfections. However, this situation has changed over time. Claims suggest that as firms internationalize and market imperfections decrease, their performance may decrease compared to the past (Ruigrok & Wagner, 2004: 24-25). The internationalisation of firms in both developing and developed countries and the increase in free trade may reduce the benefits of internationalisation due to market imperfections (Schulze et al., 2016: 9).

In the literature on internationalization-firm performance, financial leverage is used as a control variable to explain firm performance in relation to financial risk due to differences in the capital structure of MNCs. According to the theory of international diversification, MNCs should have higher debt levels compared to domestic firms because they reduce risk by operating in markets that are not fully interrelated (Kwok & Reeb, 2000: 626). Previous studies suggest that MNCs have greater financial flexibility than domestic firms (Vithessonthi & Tongurai, 2015: 267). Singh & Nejadmalayeri (2004) found that French MNCs increase their borrowing in foreign currencies to hedge risk as their level of internationalization increases. This results in higher total financial leverage and lower total cost of capital. Desai et al. (2004) found a positive relationship between high tax rates for foreign subsidiaries of MNCs and high financial leverage. Vithessonthi & Tongurai (2015) concluded that the financial leverage effect is negative for domestic firms, while the leverage effect is positive for firms operating in international markets.

Organizational capabilities, tangible and intangible resources are represented by firm size (Barney, 1991: 99). Larger firms have better access to financial and human resources, as well as economies of scope and scale that support internationalization and product diversification (Hitt et al., 1997: 771). Firm size is often linked to access to knowledge assets and critical resources (Azar & Drogendijk, 2014: 595). According to Dabescki (2018: 140), having greater resources and capabilities is crucial for managing the complexity of international operations. Smaller firms, as noted by Ruigrok & Wagner (2004: 12), have more limited resources, a higher risk of bankruptcy, lower costs, and lack the ability to demand higher capital. Firm size, therefore, has a significant impact on a company's ability to operate effectively in the international market. Smaller firms face greater difficulties than larger firms in terms of the costs incurred during the internationalization process (Bausch & Krist, 2007: 328-329).

Firm age is considered a determinant of firm performance due to its indirect effect on the number of stable relationships a firm can have over a certain period of time and the amount of resources it can accumulate (Contractor et al., 2007: 408). When examining the relationship between firm age and the performance of internationalizing firms, conflicting findings arise. According to McDougall & Oviatt (1996), young firms have a higher failure rate than older

firms during the internationalization process due to the obligations that come with being new. Banalieva & Sarathy (2011: 614) emphasized that older firms perform better in terms of the relationship between firm age and learning effects. In this context, it is stated that older companies provide more reliability and legitimacy in foreign markets due to their greater experience and better utilization of learning (Kirca et al., 2011: 54). Older companies emerge as important and strong players in both domestic and foreign markets, compared to new ones. Dense networks can provide older firms with a strong local competitive advantage over younger firms. However, these networks can also limit the ability of older firms to adapt to changes in the environment (Martin, 2021: 40). Bausch & Krist (2007) discovered that new firms operating in international markets tend to have higher performance levels than older firms. Debicki et al. (2020) concluded that the age of a firm does not affect the internationalization-firm performance relationship.

Product diversification, as a firm-specific factor, refers to a company's expansion into different product markets from those in which it is already active (Hitt et al., 1997: 768). This is typically achieved through related and unrelated product segments (Chan & Wang, 2007: 62). Related product diversification occurs when a firm adds new products and services related to its current offerings, while unrelated product diversification refers to the firm's expansion into different product and service areas (Öztürk & Anıl, 2017: 50). The literature presents varying results on this topic. Chang & Wang (2007) conducted a study on US MNEs and found that related product diversification has a positive effect on the internationalization-firm performance relationship, but they also found that unrelated product diversification has a negative effect. Similarly, Oh & Contractor (2012) found that high product diversification negatively affects the performance of US MNCs, while low product diversification has a positive impact. Geringer et al. (2000) and Tallman & Li (1996) found that product diversification did not significantly affect the internationalization-performance relationship for Japanese and US multinationals. Meta-analyses conducted by Baush & Krist (2007) and Arte & Larimo (2022) have shown that firms with low product diversification in their international operations tend to have high firm performance, while those with high product diversification tend to have low firm performance.

Research & development (R&D) intensity is typically calculated as the ratio of R&D expenditures to total sales revenues (Hsu et al., 2013: 63). This measure is used to assess intangible assets and has been shown to significantly contribute to a firm's future financial performance. According to Rodriguez & Rodriguez (2005), technological resources can provide a firm with significant competitive advantages by improving production processes and enabling product innovation. On the other hand, a company with advanced technological capabilities may have a greater competitive advantage not only in domestic but also in global markets. In this context, Franko (1989) highlights the significance of R&D efforts as the primary driver of international expansion. Morck & Yeung (1991) argue that internationalization alone is not a valuable strategy for investors. However, they suggest that the impact of R&D expenditures on a firm's market value increases with the degree of internationalization. Firms with high R&D intensity and strong human capital have the capacity to cope with and find solutions to the complexities that arise during international expansion (Hsu & Boggs, 2003: 33). In this context, R&D expenditures are commonly used to measure a firm's technological know-how and innovative capabilities (Hitt et al., 1991: 22). The benefits of R&D as technological know-how are greater when applied in multiple markets (Bausch & Krist, 2007: 324).

The measurement of intangible assets includes the calculation of advertising intensity, which is determined by dividing a firm's advertising expenditures by its total sales revenues (Hsu et al., 2013: 63). According to Helsen et al. (1993: 60), firms that differentiate themselves through intensive advertising marketing activities are more likely to be successful in many different markets than firms that give less or no importance to advertising activities, considering both the impact of globalization and many product segments. In this way, firms can increase their revenues in foreign markets by tailoring their products and services to customer needs. They can also achieve greater efficiency by developing standardized marketing programs for both distributors and consumers, which gives them better bargaining power (Levitt, 1983: 6). Kotabe et al. (2002: 83) found that firms with high marketing intensity have lower coordination costs and increased revenues in foreign markets. Kotabe et al. (2002: 83) found that firms with high marketing intensity have lower coordination costs and increased revenues in foreign markets. The study also revealed that high advertising expenditures lead to increased sales in foreign markets.

The study tested the hypotheses presented in Table 1, which are in line with the theoretical explanations. Table 1 shows the hypotheses.

**Table 1: Hypotheses of the Study**

| |
|---|
| **Hypothesis 1:** The combined effect size between internationalization and firm performance is positive for MNCs. |
| **Hypothesis 2:** The combined effect size between internationalization and firm performance is higher for developed country MNCs than for developing country MNCs. |
| **Hypothesis 3:** The internationalization-firm performance relationship has a higher combined effect size for MNCs in the manufacturing sector than for MNCs in the service sector. |
| **Hypothesis 4:** The combined effect size between internationalization and firm performance has decreased over time for MNCs. |
| **Hypothesis 5:** The combined effect size between internationalization and firm performance is higher for MNCs with more financial leverage. |
| **Hypothesis 6:** The combined effect size between internationalization and firm performance is higher in MNCs with larger size. |
| **Hypothesis 7:** The combined effect size between internationalization and firm performance is higher in older MNCs. |
| **Hypothesis 8:** The combined effect size between internationalization and firm performance is lower in MNCs with more product diversification. |
| **Hypothesis 9:** The combined effect size between internationalization and firm performance is higher in MNCs with higher R&D intensity. |
| **Hypothesis 10:** The combined effect size between internationalization and firm performance is higher in MNCs with higher advertising intensity. |

## 3. Methodology

This section outlines the research method, inclusion-exclusion criteria, data evaluation, and coding procedure used for sample selection and data collection. It then discusses heterogeneity, model selection, publication bias, and effect sizes.

### 3.1. Method Used in the Research

The use of meta-analysis in this study was motivated by the emergence of different results in the literature. Meta-analysis is an important analysis method that reduces different results to a single result, providing great convenience, time and cost advantages in subjects that require comprehensive research. For instance, when conducting research across multiple countries, it is necessary to collect and analyse data from each country separately. However, this process can be time-consuming and expensive. Alternatively, meta-analysis allows for a more comprehensive analysis by combining studies conducted in these countries into a single study. Thus, a general evaluation is made based on the quantitative data obtained from independent research findings (Lipsey & Wilson, 2001).

### 3.2. Sample Selection and Data Collection

In the context of meta-analysis, data selection and collection involve the application of inclusion-exclusion criteria, data evaluation, and coding procedures.

#### 3.2.1. Inclusion and Exclusion Criteria

Systematic reviews, such as meta-analyses, begin with a large number of studies. However, the number of studies eligible for inclusion in the meta-analysis decreases after applying the predetermined inclusion/exclusion criteria. In general, inclusion and exclusion criteria should be determined based on the definition of the relevant concept, sample characteristics, study design, time interval, publication type, and effect size data. It is important to use clear and concise language, avoiding complex terminology and ornamental language. It is important to maintain a logical flow of information with causal connections between statements. Finally, the text must be free of grammatical errors, spelling mistakes, and punctuation errors. The PRISMA flow diagram, which is commonly used for meta-analyses and systematic reviews, was used and the criteria were set according to the purpose and methodology of the study, see below for details:

- MNCs are defined as companies with operations in multiple countries, at least one foreign subsidiary, and over 500 employees.
- The analysis includes quantitative studies in the literature. Excluded from the analysis were articles, meta-analyses, review articles, and case studies for which only abstracts were available.
- In the analysis, the studies were not limited on the basis of geographic region.
- This analysis includes only articles scanned in SSCI and Scopus databases for published studies, and only doctoral theses for unpublished studies.
- The publication year range covers 1982-2021.
- The study only includes publications in English and Turkish.
- The effect size value is represented by the r value (Pearson correlation coefficient). If the r value is not available, conversion operations are performed for the F value, z value, β coefficient, and t test results.

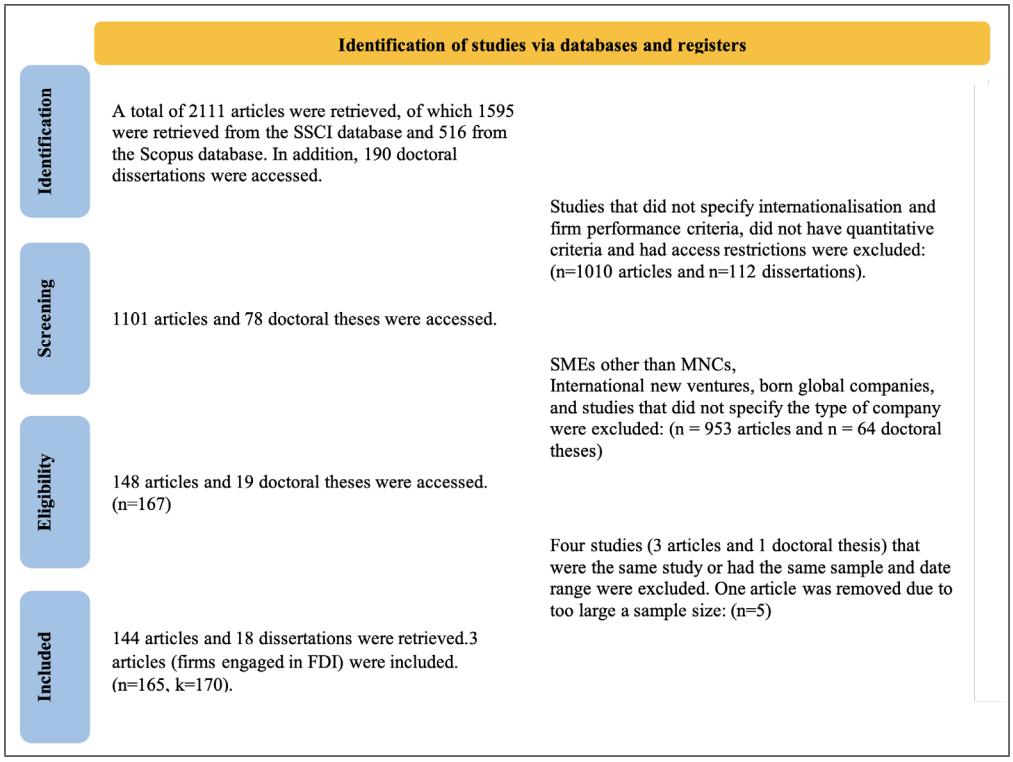
Based on the above inclusion/exclusion criteria, data were evaluated at this stage and coded according to the literature.

### 3.2.2. Evaluation of Data

This study employed a three-stage search technique to identify published and qualified empirical studies. The study began with an extensive search for articles in the SSCI and Scopus databases through Web of Science (WOS). WOS is a widely used database for the conduct of systematic reviews of the literature (Wei et al., 2022: 69). Secondly, unpublished and qualified studies were consulted, including doctoral theses in ProQuest Dissertations & Theses, EBSCO Open Dissertations, and YÖKTEZ databases. Studies that use keywords such as internationalization, geographical diversity, international expansion, and multinationality often refer to the same strategic management structure (Hitt et al., 2006: 832). When conducting research in this area, the following keywords were used for foreign databases: "internationalization" or "multinationality", "MNE" or "MNC", and "financial performance" or "firm performance" or "firm value". For Turkish studies, the keywords used were "uluslararasılaşma" or "çokuluslaşma" or "çokulusluluk" or "ÇUŞ" and "finansal performans" or "firma performansı" or "firma değeri". The keywords "Küresel doğan işletmeler", "KOBİ'ler", and "yeni uluslararası girişimler" were extracted. Additionally, previous meta-analyses (Arte & Larimo, 2022; Bausch & Krist, 2007; Debicki et al., 2020; Kirca et al., 2011; Kirca et al., 2012; Marano et al., 2016; Ruigrok & Wagner, 2004; Schulze et al., 2016; Schwens et al., 2018; Wu et al., 2022; Yang & Driffield, 2012) were consulted to ensure no relevant studies were missed. These meta-analyses were referenced in the references section of the studies. During this process, we reached a total of 2111 articles and 190 doctoral theses. Figure 1 shows the PRISMA flow diagram, which illustrates the selection process for studies on articles and doctoral dissertations included in the meta-analysis.

The meta-analysis included 147 articles, resulting in 148 effect sizes, according to the PRISMA flow diagram in Figure 1. Additionally, 18 doctoral theses were included, with 22 effect sizes related to them. In total, 165 studies and 170 effect sizes were analyzed. The meta-analysis was conducted on 77355 MNCs and a sample size of 334,855 from articles and dissertations.

**Figure 1: PRISMA Flow Diagram**




**Source:** Moher, D., Liberati, A., Tetzlaff, J., Altman, D. G., & PRISMA Group, T. (2009). Preferred Reporting Items for Systematic Reviews and Meta-Analyses: The PRISMA Statement. *Annals of Internal Medicine, 151*(4), 264-269.

### 3.2.3. Coding Procedure

The codings were conducted using two frameworks. Firstly, the data set studies were examined for the following variables: sample size, countries, developed or developing country, sector/sectors, time period, internationalization indicators, firm performance indicators, and correlation coefficients. Subgroup variables were considered in each study, and the averages of the variables "financial leverage", "firm size", "firm age", "product diversification", "R&D intensity", and "advertising intensity" were examined.

## 3.3. Heterogeneity in Meta-Analysis

This section discusses the factors that cause heterogeneity in meta-analysis, including research design, participants, mediating variables, inputs, and outputs. Heterogeneity may arise from sampling error within the studies included in the meta-analysis or due to differences between studies (Higgins & Thompson, 2002: 1539; Huedo-Medina et al., 2006). Heterogeneity in meta-analysis is caused by differences in variance between effect sizes of studies and requires examination of subgroup variables (Üstün & Eryılmaz, 2014: 21). The presence of heterogeneity not only informs the selection of the fixed effects or random effects model, but also provides

information that there are subgroup variables that cause differences between studies. statistics and statistics methods are used to detect heterogeneity.

### 3.4. Model Selection

When combining effect sizes in meta-analysis, there are two different effect models: fixed and random effects models (Borenstein et al., 2010: 97). The combined effect size calculation is made according to these two models. If the effect sizes of the studies in the meta-analysis are the same, the combined effect size is calculated with the fixed effects model, since the studies show homogeneity. If the effect sizes of the studies differ significantly, the standard deviation is high, and the combined effect size is calculated using the random effects model (Borenstein et al., 2010: 98). The random effects model enables generalized inferences beyond the studies included in the meta-analysis (Field & Gillett, 2010). As the random effects model allows for the analysis of both changes between studies and changes in the research structure itself (Özkaya, 2021: 28), it also encompasses changes in subgroups within each research.

### 3.5. Publication Bias

After the identification and classification of studies within the meta-analysis topic, it is important to consider publication bias. Studies may be abandoned due to reasons such as the inability to establish a relationship between variables, a low level of relationship between dependent and independent variables, or a negative relationship (Hedges et al., 1989: 11). In this context, publication bias occurs when only reliable and accurate published studies are taken into account, potentially increasing the level of positive impact. As a result, the combined effect size in meta-analysis is negatively affected (Card, 2012: 276). Statistical methods, such as the Rosenthal safe N number, funnel plot, Egger test, and Begg and Mazumdar rank correlation, are used to test for publication bias.

### 3.6. Interpretation of Effect Sizes

The combined effect size is calculated by combining the effect coefficients with their weights. This allows for a conclusion to be drawn about the extent to which the dependent variable affects the independent variable through a subgroup variable or variables. The results are then reported.

## 4. Results and Discussion

The study included a total of 170 effect sizes and 334,855 MNC data obtained from articles and theses. The combined effect size was analyzed using Meta-Essentials (Version 1.5) software developed by Suurmond et al. (2017).

In this study, the effect size was calculated in accordance with the prescribed methodology for correlation coefficients. In the absence of correlation coefficients, the F-test[1] (Geringer et al., 1989; Gomez-Mejia & Palich, 1997; Harveston et al., 1999; Nazar, 1999; Qian & Li,

1 The conversion of the F-test value to a correlation coefficient is as follows (Card, 2012: 97): $r = \sqrt{\frac{t^2}{t^2 + df}}$
If the p-value for converting from F-test to correlation coefficient is specified in the study, it can be done as follows (Lipsey & Wilson, 2001: 201): $r = \frac{\sqrt{F}}{\sqrt{F+N-2}}$

2002; Rihai-Belkaoui & Picur, 1998; Rihai-Belkaoui, 1996) and t-test values[2] (Benvignati, 1987; Ioulianou et al., 2017; Mishra & Gobeli, 1999; Morck & Yeung, 1991) were converted to correlation coefficients.

### 4.1. Heterogeneity Analysis

The statistics and statistics methods were used to assess heterogeneity among the studies based on their effect sizes. Table 2 shows the heterogeneity statistics for the combined effect size.

**Table 2: Heterogeneity Statistics**

| Q | $p_Q$ | $I^2$ | $\tau^2$ | $\tau$ (z) |
|---|---|---|---|---|
| 2154.8116 | 0.0001 | 0.9216 | 0.0061 | 0.0780 |

Table 2 calculates the variance between studies using $\tau^2$, which indicates heterogeneity when close to zero. The test shows that the studies included in the meta-analysis are diverse and have heterogeneity (=2154.8116, p<0.0001, =0.0061, =92.16%). While the value indicates the existence of heterogeneity, it does not provide information about its degree. Therefore, we used statistics to determine the degree of heterogeneity. The value was 92.16%, indicating a high level of heterogeneity as it is above 75%. These results suggest the need for a random effects model and analysis of subgroup variables.

### 4.2. Calculation of Combined Effect Size

Based on the heterogeneity analysis, the studies included in the meta-analysis exhibited a high level of heterogeneity. Therefore, combined effect size calculations were performed using the random effects model.

**Table 3: Combined Effect Size (k*=170)**

| CES** | CI - LL *** | CI – UL**** | PI – LL***** | PI – UL****** | z-value | One-tailed *p*-value | Two-tailed *p*-value | N******* |
|---|---|---|---|---|---|---|---|---|
| 0.0516 | 0.0376 | 0.0655 | -0.1026 | 0.2057 | 7.2350 | 0.0000 | 0.0000 | 334,855 |

**Note:** k: Number of Effect Size, **CES: Combined effect Size, ***CI-LL: Confidence Interval-Lower Limit, ****CI-UL: Confidence Interval-Upper Limit, ***** PI-LL: Prediction Interval-Lower Limit, ******PI-UL: Prediction Interval-Upper Limit, *******N: Sample Size.

Based on the random effects model presented in Table 3, the effect size between internationalization and firm performance was r=0.0516 (p<0.001). Combined effect size confidence intervals were between 0.0376 and 0.0655. Additionally, the observed Fisher z-transformed correlation coefficients ranged from -0.1026 to 0.2057. Therefore, the mean result is significantly different from zero (z=7.23, p<0.0001). According to Cohen (1988), when r = 0.10, it

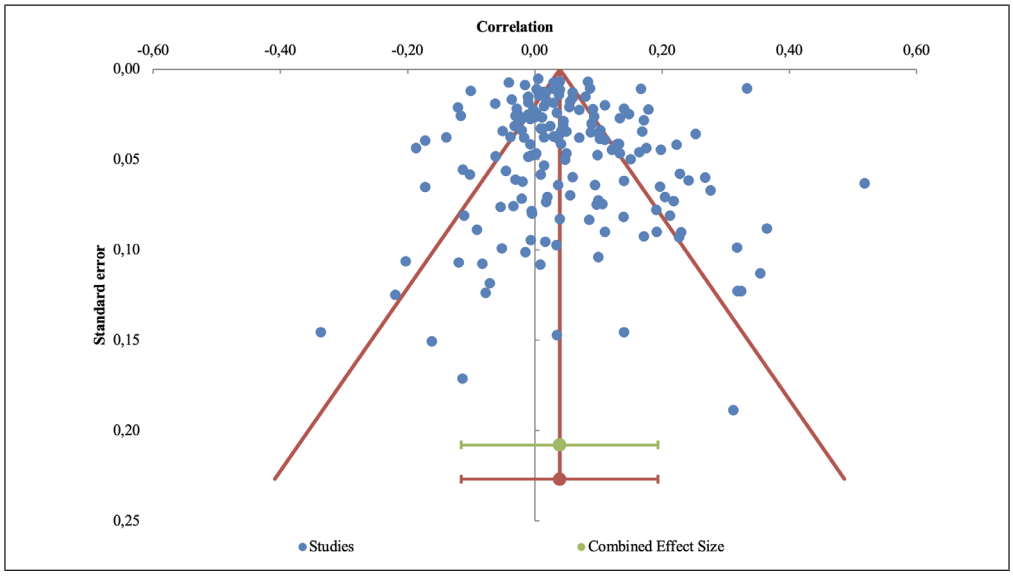
2 The conversion of the t-test value to a correlation coefficient is as follows (Card, 2012: 97): $r = \sqrt{\frac{F_{(1,df)}}{F_{(1,df)}+df}}$
If the p-value is precisely specified in the study, the conversion from t-test to correlation coefficient can be done as follows (Lipsey & Wilson, 2001: 201): $r = \frac{t}{\sqrt{t^2+N-2}}$

indicates a "small" effect size. Therefore, a small and statistically significant effect size was reached in this study. Thus, hypothesis 1 was supported.

### 4.3. Publication Bias Analysis

Many statistical methods are used to test publication bias. In this context, funnel plot, Begg and Mazumdar rank correlation, Rosenthal safe N number and Egger test were used. The funnel plot in Figure 2 displays the results.

**Figure 2: Funnel Plot**




In Figure 2, the studies with larger sample sizes are concentrated in the upper parts of the chart, resulting in a more symmetrical funnel shape. Therefore, it can be concluded that there is no publication bias since there are fewer studies outside the funnel plot. However, it is important to note that the funnel plot alone does not provide quantitative information about publication bias. Additional analyses are necessary.

**Table 4: Publication Bias Assessment**

| Test | Value | *p* |
|---|---|---|
| Rosenthal safe N number | 24151.000 | < .001 |
| Begg and Mazumdar rank correlation | 0.09 | 0.101 |
| Egger test | 1.51 | 0.131 |

Table 4 presents the results of the publication bias assessment, including the Rosenthal safe N number, Begg and Mazumdar rank correlation, and Egger regression test. As there are 170 effect sizes in the meta-analysis, the >5k+10calculation indicates that the Rosenthal safe

N number must be greater than 860. The Rosenthal safe N number of 24121 indicates no risk of publication bias. Based on the results of Begg and Mazumdar rank correlation and Egger's regression test, it was found that there was no publication bias as p>0.05.

### 4.4. Subgroup Analysis

Subgroup analysis is used to test the direction of statistically significant differences in subgroups and the overall effect size of the variables. Variables with different characteristics in studies showing heterogeneity are called subgroup variables (Şen & Yıldırım, 2020: 78). The analogue ANOVA method was used for subgroup analyses.

For subgroup analyses, we took into account home country development, industry type, time period, financial leverage, firm size, firm age, product diversification, R&D intensity and advertising intensity. To determine main country effects, we referred to the IMF (2002) and IMF (2021) classification for distinguishing between developed and developing countries. Regarding industry type, we focused on the manufacturing and service sectors, but also included other sectors. The time period for the meta-analysis was determined based on the historical median of the included studies. The studies were conducted between 2003 and before, and 2004 and after. Financial leverage was determined by the median of debt to equity ratio. Firm size was determined by the median of total assets. Wu et al. (2022) set an age limit of 15 for MNCs. Regarding unrelated product diversification, Bausch & Krist (2007) suggest using Herfindahl entropy criteria to classify diversification as high (0.5 and above) or low (below 0.5). Following the approach of Bausch & Krist (2007), the samples were divided into two groups based on their R&D and advertising intensity. The first group consisted of those whose average expenses were over 5% of total sales, while the second group consisted of those whose ratio was below 5%.

**Table 5: Definitions and Descriptive Statistics of the Subgroup Variables**

| Subgroup variables | Definitions | Mean | Median |
|---|---|---|---|
| Financial leverage | ratio of debt to equity | 1.31 | 0.47 |
| Firm size | scale on which a firm operates (total assets) | 14.55 | 13.41 |
| Firm age | length of time a firm has been in operation | 33.45 | 34.1 |
| Product diversification | a firm's unrelated product range (Herfindahl entropy) | 0.44 | 0.47 |
| R&D intensity | ratio of R&D expenditures to total sales revenues | 0.03 | 0.03 |
| Advertising intensity | ratio of advertising expenditures to total sales revenues | 0.02 | 0.02 |

Table 5 presents descriptive information on financial leverage, firm size, firm age, product diversification, R&D intensity, and advertising intensity, which are included in fewer studies.

**Table 6: Subgroup Analysis Results**

| | | | | CI (Confidence Interval) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Variable** | **k*** | **N**** | **CES***** | **Lower Limit** | **Upper Limit** | **Z** | **$Q_B$********* | **$I^2$****** | **df******* | ***p*** |
| I-FP relationship | 170 | 334,855 | 0.05 | 0.04 | 0.07 | 7.235 | | 0.92 | 169 | 0.000 |
| Home country development | 170 | 334,855 | | | | | 9.76 | | 2 | 0.008 |
| Developing | 35 | 108,928 | 0.00 | -0.03 | 0.04 | | | 0.97 | | |
| Developed | 112 | 122,189 | 0.07 | 0.05 | 0.09 | | | 0.89 | | |
| Mixed | 23 | 103,738 | 0.05 | 0.01 | 0.08 | | | 0.83 | | |
| Industry type | 170 | 334,855 | | | | | 19.22 | | 4 | 0.001 |
| Not specified or all sectors | 45 | 79,597 | 0.06 | 0.02 | 0.10 | | | 0.96 | | |
| Non-financial sectors | 18 | 63,421 | 0.03 | -0.02 | 0.07 | | | 0.91 | | |
| Service | 15 | 31,442 | 0.16 | 0.07 | 0.24 | | | 0.85 | | |
| Manufacturing | 67 | 93,190 | 0.03 | 0.01 | 0.05 | | | 0.76 | | |
| Manufacturing and service | 25 | 67,205 | 0.06 | 0.02 | 0.11 | | | 0.94 | | |
| Time period | 170 | 334,855 | | | | | 3.96 | | 1 | 0.047 |
| 2003 and before | 83 | 170,542 | 0.07 | 0.04 | 0.09 | | | 0.88 | | |
| 2004 and after | 87 | 164,313 | 0.04 | 0.01 | 0.06 | | | 0.94 | | |
| Financial leverage | 50 | 126,392 | 0.05 | -0.02 | 0.13 | | 8.83 | 0.90 | 1 | 0.003 |
| Low | 26 | 69,364 | 0.02 | -0.01 | 0.06 | | | 0.91 | | |
| High | 24 | 57,028 | 0.10 | 0.04 | 0.15 | | | 0.88 | | |
| Firm size | 44 | 104,091 | | | | | 1.40 | | 1 | 0.236 |
| Firm age | 37 | 122,076 | 0.01 | -0.05 | 0.08 | | 5.93 | 0.97 | 1 | 0.015 |
| Old | 8 | 61,905 | -0.02 | -0.06 | 0.02 | | | 0.77 | | |
| Youth | 29 | 60,171 | 0.05 | 0.01 | 0.09 | | | 0.97 | | |
| Product diversification | 29 | 55,403 | | | | | 0.12 | | 1 | 0.732 |
| R&D intensity | 45 | 117,545 | 0.10 | -0.01 | 0.20 | | 37.39 | 0.93 | 1 | 0.000 |
| Low | 37 | 58,114 | 0.05 | 0.01 | 0.08 | | | 0.91 | | |
| High | 8 | 59,431 | 0.15 | 0.12 | 0.18 | | | 0.19 | | 0.28 |
| Advertising intensity | 27 | 53,979 | | | | | 0.23 | | 1 | 0.633 |

**Note:** *k: Number of Effect Size, **N: Sample Size, ***CES= Combined effect size, ****: between**,** *****: Degree of heterogenity (%), ******df: Degrees of freedom.

Table 6 analysed subgroups of developed country MNCs, developing country MNCs, and both. The results showed a statistically significant difference (=9.76, p<0.05) between these subgroups, with the combined effect size of developed country MNCs being higher than that of developing country MNCs. Therefore, hypothesis 2 was supported. This result is also consistent with Kirca (2012). According to the level of development of countries, factors such as physical infrastructure, capital accumulation, financial resources, human resources, etc. and political, legal and social institutions in the context of institutional characteristics are found to be effective on the firm performance of MNCs. It is also important to acknowledge that since developing country MNCs internationalize later than developed country MNCs, they are more market share oriented.

Between the subgroups based on sectors, a statistically significant difference was observed (=19.22, p<0.05). Kirca et al. (2012) claimed the combined effect size of MNCs in the manufacturing sector was higher than that of MNCs in the service sector. However, our observations contradict this claim, as we found the opposite to be true. Therefore, hypothesis 3 was not supported.

A statistically significant difference (=3.96, p<0.05) was observed in terms of time period. The effect size between internationalization and firm performance decreased over time when the 2003 distinction was made, leading to the acceptance of hypothesis 4. This result is consistent with previous studies by Ruigrok & Wagner (2004), Schulze et al. (2016), and Yang & Driffield (2012).

Between low and high leverage, a statistically significant difference was observed (=8.83, p<0.05). Additionally, it was found that MNCs with higher financial leverage have better financial performance. Therefore, hypothesis 5 was supported.

For MNCs, firm size did not have a statistically significant impact (=1.40, p>0.05) on the internationalization-firm performance relationship. This result is consistent with previous studies by Kirca et al. (2011; 2012), which suggest that firm size is not a significant factor in the internationalization-firm performance relationship. However, it differs from the findings of Ruigrok & Wagner (2004) and Bausch & Krist (2007). Therefore, hypothesis 6 is not supported.

The study found a statistically significant difference (=5.93, p<0.05) in the internationalization-firm performance relationship for MNCs based on firm age. The combined effect size was r = -0.02 for young MNCs and r = 0.05 for old MNCs. The results suggest that the financial performance of older MNCs is higher than that of young MNCs. Therefore, hypothesis 7 is supported. This finding supports the claims made by Bausch & Krist (2007) and Kirca et al. (2011) that firm age is a crucial factor for MNCs.

A statistically significant difference (=0.12, p>0.05) was not found between high and low product diversification. This contradicts the findings of Bausch & Krist (2007) and Arte & Larimo (2022), who reported a significant change in firm performance based on product diversification in the international activities of MNCs. Therefore, hypothesis 8 was not supported.

A statistically significant difference (=37.39, p<0.05) was observed between low and high R&D intensity. Samples with low R&D intensity had a statistically significant effect size of r=0.05, while samples with high R&D intensity had an effect size of r=0.15, which was not

statistically significant. It has been determined that MNCs with lower R&D intensity have lower financial performance. Hypothesis 9 was not supported as high R&D intensity was not found to be statistically significant. The results concerning R&D intensity are partially consistent with those of Bausch & Krist (2007) and Arte & Larimo (2022).

There was no statistically significant difference (=0.23, p>0.05) observed between low advertising intensity and high advertising intensity. Therefore, hypothesis 10 was not supported. This finding differs from that of Arte & Larimo (2022), who found a higher combined effect size between internationalization and firm performance (r = 0.175) for high advertising intensity.

## 5. Conclusion

MNCs operate in various countries to enhance their performance. The internationalization-firm performance relationship has been extensively studied. However, the results of these studies are not always positive, and some even report a negative relationship. Therefore, the internationalization-firm performance relationship remains a debated issue. This study conducted a meta-analysis of 334855 MNC data in 170 samples from 165 studies to discuss the internationalization-firm performance relationship for MNCs. The random effects model was applied, and the results showed a statistically significant, positive, and limited overall effect size. This result is in line with a number of meta-analytic studies that have previously examined the internationalization-firm performance relationship (Arte & Larimo, 2022; Bausch & Krist, 2007; Marano et al., 2016; Ruigrok & Wagner, 2004).

Although MNCs from developed countries still dominate the world economy, those from developing countries are also gaining influence. However, due to the longer history of internationalization among developed country MNCs, they possess more experience and hold a more dominant position in the global market. Developed country MNCs aim to create competitive advantage through innovation while protecting their assets that provide competitive advantage. As such, they may prefer FDI and international acquisition strategies over international merger as part of their internationalization strategies. However, developing country MNCs may seek international acquisitions and mergers to gain access to tangible and intangible assets that provide a competitive advantage over developed country MNCs, while also striving to reduce costs to remain competitive.

From a sectoral perspective, the combined effect size of internationalization on firm performance is higher in service sector than in manufacturing sector, which is a surprising finding. The studies included in the meta-analysis for the service sector are limited, but they do show a significant positive relationship. These studies have shown that FDI and franchising agreements are the most prominent internationalization strategies for achieving high company performance in the service sector. MNCs engaging in FDI expect higher firm performance but are exposed to higher risks. On the other hand, MNCs that provide franchising encounter lower risks while achieving high firm performance. It is important to note, however, that the impact of internationalization on firm performance is greater for MNCs in the services sector than in other sectors. Additionally, there has been a recent increase in investments in the service sector. However, few studies have been conducted on this topic. Therefore, this is an important area for further research.

The decline in market imperfections over time suggests a decline in the advantages available to MNCs operating abroad. Historically, MNCs have been able to exploit market imperfections by leveraging their valuable resources and expertise. However, the increased use of information and resource distribution by more MNCs through the process of globalization has led to a decrease in market imperfections. Reducing the impact of internationalization on firm performance involves reducing the benefits of market imperfection. To achieve this, MNCs should consider their competitors and decreasing information asymmetry when taking internationalization steps.

This study's most significant contribution to the literature is its analysis of financial leverage as a subgroup variable, unlike previous meta-analyses. The study found that MNCs achieving higher firm performance use higher financial leverage. The positive effect of financial leverage can be attributed to the fact that MNCs operate in many countries through foreign subsidiaries. To benefit from the positive effects of financial leverage, MNCs can borrow more from the low interest rates of the countries in which they operate, both through international expansion and foreign subsidiaries. Additionally, MNCs can take advantage of different countries' tax benefits through transfer pricing to make better use of the benefits of internationalization. Simultaneously, higher financial leverage may support MNCs in achieving greater economies of scope and scale. This is particularly relevant when considering the tax rates of the countries where MNCs have foreign subsidiaries and the level of indebtedness of these subsidiaries. Operating with higher financial leverage ratios can have a positive impact on firm performance.

The study indicates that young MNCs have a negative combined effect size, suggesting a disadvantage compared to older MNCs. This is likely due to the fact that older MNCs have more knowledge and experience in the international arena, providing greater reliability and legitimacy in foreign markets, and better benefiting from the advantages of learning. It can be inferred that firm age is more closely associated with learning effects. For older MNCs, their advantage lies in being the first to enter certain markets compared to their later counterparts. This allows them to more easily access suppliers, markets, customers, and other scarce resources, and make preventive moves to block later entrants from accessing these connections. Young MNCs should prioritise hiring managers and personnel with specialised knowledge and experience to bridge the gap in these areas. Additionally, they should make a concerted effort to establish strong connections in their overseas activities and emphasise their innovative, proactive, and flexible characteristics in the global arena.

However, for MNCs with low R&D intensity, research has shown that there is a weak effect size between internationalization and firm performance. This is because low R&D investment limits MNCs' capacity to adapt to innovations, create new and diverse products, enhance efficiency and effectiveness by improving production processes, respond to market niches, and compete. To address this limitation, MNCs should prioritise long-term firm performance by placing greater emphasis on R&D activities, given the enduring nature of their internationalization strategies. Although R&D expenditures may incur high costs initially, the cost impact of innovative goods and services resulting from R&D decreases for MNCs operating in multiple countries. In addition, improved company performance can be achieved when the effective and efficient methods of doing business resulting from R&D are combined with the advantages of internationalization.

Although home country development for MNCs have been evaluated, there has been limited examination of country-specific variables such as political and regulatory institutions and cultural structures. Future studies should pay attention to these variables to contribute to the literature. Additionally, while the number of studies on developing country MNCs is still limited, most of them focus on Chinese MNCs. Jormanainen & Koveshnikov (2012: 691) concluded that studies on developing country MNCs have primarily focused on China, neglecting other emerging markets. Therefore, further research is necessary to address this gap.

**Conflicts of Interest**

The authors declare no conflicts of interest.

**Ethics Approval**

No specific ethical approval was necessary for the study.

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