INTERNATIONAL DIVERSIFICATION OF SMES: THE ROLE OF FOREIGN CAPITAL

LUÍS MIGUEL PACHECO
Portucalense University – Department of Economics and Management
REMIT – Research on Economics, Management and Information Technologies
IJP – Portucalense Institute for Legal Research
Porto – Portugal
luisp@upt.pt

CARLA AZEVEDO LOBO
Portucalense University – Department of Economics and Management
REMIT – Research on Economics, Management and Information Technologies
IJP – Portucalense Institute for Legal Research
Porto – Portugal
cadsa@upt.pt

ISABEL MALDONADO
Portucalense University – Department of Economics and Management
REMIT – Research on Economics, Management and Information Technologies
IJP – Portucalense Institute for Legal Research
4200-072 Porto – Portugal
ianm@upt.pt

Abstract: The aim of this paper is to empirically examine the relationship between the firms' ownership and control structure, in particular the presence of foreign capital, and their internationalization levels. The internationalization of Portuguese SMEs depends on a multitude of factors, being the impact of foreign investment inflows directed to industrial SMEs a usually forgotten factor. This paper fills that gap using a balanced panel data of 5,722 firms for an eight year period beginning in 2010, researching if the presence of foreign capital influences the level and scope of internationalization, and controlling for the effects of variables such as profitability, age, size, indebtedness and sector of activity. The country of origin of the foreign capital is considered and possible non-linear effects are also tested. The results evidence that the presence in SMEs of foreign shareholders positively influences internationalization. Also, there seems to exist a non-linear relation between the development level of the country of origin of the share capital and internationalization, with the results indicating that firms with capital originated from more advanced countries attain a higher degree of internationalization.

Keywords: Ownership structure, Internationalization, Foreign investment, SMEs, Industrial sector

1 Introduction

The debate on factors affecting the international development of small and medium-sized enterprises (SMEs) is now widespread, attracting a continuous interest by the literature, which extensively emphasized the obstacles or barriers to internationalization and the main

factors enhancing SMEs' international activities (Coviello and McAuley, 1999; Lu and Beamish, 2001; Fernández and Nieto, 2006; Sommer, 2010; Cerrato and Piva, 2012).
Limited by the internal market, internationalization can provide potential returns to an individual firm (Hitt *et al.*, 2006) due to two main reasons: i) internationalization offers new opportunities for value creation by providing access to new resources, knowledge, business practices and foreign stakeholders; ii) internationalization helps reduce fluctuations in revenue by diversifying risks over different countries.
Nevertheless, SMEs suffer from a number of major internal barriers to international development related to their limited endowment of resources and capabilities, being relevant to study this phenomenon in a different angle. Specifically, since it is likely that the firm's resources and capabilities will be influenced by the type of owner, and the use of these resources and capabilities will actually affect the international strategy pursued by the firm, this paper empirically examines the relationship between the firms' ownership and control structure, in particular the presence of foreign capital, and its level of internationalization.
Using a balanced panel data of 5,722 SMEs for the period from 2010 to 2017, this paper fills a gap in the literature since: i) distinguishes not only between domestic and foreign-owned firms, but also between wholly and partly foreign-owned firms; and ii) examines the possible non-linearity of the ownership-internationalization relation. To the best of our knowledge, this is the first empirical paper examining the relationship between foreign ownership and firm internationalization in Portugal. The choice of a national data set allows us to compare our results with similar studies in other countries (e.g., Fernández and Nieto, 2006; Gaur and Delios, 2015; Wach, 2017). From this comparison we expect to gain some insights into country-specific factors influencing the internationalization of SMEs, which are frequently rooted in the domestic environment (Stouraitis *et al.*, 2017) and at the same time understand the importance of the internationalization-promoting channel of FDI, particular when assuming the form of joint-ventures (JVs). The relevance of this line of research for policymakers is clear, since the identification of firm-level factors that impact export activity would help to define policies aimed to promote the outward orientation of domestic firms.
The rest of the paper is structured as follows. The next section reviews the literature on the relation between foreign ownership and firm internationalization. The section also presents the other determinants of internationalization and the hypotheses to be tested in the paper. Section three presents the variables, the data and the methodology to be used. The following section presents and discusses the empirical results with the final section highlighting some concluding remarks.

2 Literature review

Given the greater flexibility and lower business risk and resource commitment compared to other ways of entering foreign markets, exporting is the most common foreign market entry mode among SMEs (Ruzzier *et al.*, 2006; Narayanan, 2015). International business literature has advanced a set of strategies and determinants of international diversification and trade (Buckley and Casson, 1976; Johanson and Vahlne, 1977; Dunning, 1980; Rugman, 1976), highlighting the associated costs and benefits.
Different theoretic frameworks suggest several factors on the pace of internationalization. These can be classified as to whether stressing internal resource factors (such as market knowledge and the resource base of the firm) or external factors (such as market volume and the competitive environment) (Pedersen and Petersen, 1998; Sousa *et al.*, 2008). For individual firms, entering the export market constitutes a high-risk decision that encompasses sunk costs, revenue volatility due to exchange rate movements, limited knowledge of external market conditions, local competition and cultural assimilation (Rocco, 1996). Firm internationalization is a multidimensional construct heavily researched in the literature (e.g., Venkatraman and Ramanujam, 1986), and the impact of corporate governance on firms' strategic decision-making and performance has been well documented in the literature (e.g., Shleifer and Vishny, 1986; Demsetz and Villalonga, 2001), mostly for large and listed firms,

but the idiosyncrasies of SMEs and the presence of foreign capital associated with different firms' internationalization levels has been less studied. Additionally, different internal or firm-specific characteristics such as size, age, productivity and product diversification have been shown to be related with SMEs internationalization (Graves and Thomas, 2004; Kontinen and Ojala, 2010; Pacheco, 2017).

2.1 The impact of foreign capital on firm's internationalization

A substantial literature investigates the relationship between ownership structure and different firm-level outcomes, such as diversification (Ramaswamy *et al.*, 2002), innovation strategies (Hoskisson *et al.*, 2002), and financial performance (Shleifer and Vishny, 1997; Thomsen and Pedersen, 2000). However, limited research investigates how ownership structure affects a firm's internationalization strategy (some examples are Kontinen and Ojala, 2011; Sciascia *et al.*, 2012; Majocchi and Strange, 2012; Singh and Gaur, 2013).
According to Singla *et al.* (2017), the principal-principal agency theory argues that owner concentration combined with identity differences among owners such as family, foreign, domestic, institutional, and corporate owner categories (Douma *et al.*, 2006; Villalonga and Amit, 2006) could lead to different risk preferences, time horizons, and goals, spurring the inclinations among dominant owners to appropriate the private benefits of control. These inclinations create differences in owners' and firms' motivations to pursue different strategic decisions such as internationalization. Namely, the impact of ownership structure on corporate strategy and firm performance has been widely investigated in the management field with several studies providing empirical evidence that ownership structure impacts a firm's foreign expansion strategy (Thomsen and Pedersen, 2000; Tihanyi *et al.*, 2003; George *et al.*, 2005; Filatotchev *et al.*, 2007; Lu *et al.*, 2009; Bhaumik *et al.*, 2010).
Ownership structure, in particular regarding the identity of the owner, has also been found to impact the SMEs' strategy, including internationalization, as it may affect both the degree of risk aversion and the set of resources and capabilities the SME can leverage (Thomsen and Pedersen, 2000; George *et al.*, 2005; Fernández and Nieto, 2006; Cerrato and Piva, 2012). According to Wach (2017), the networking and international links of a foreign investor provide unique knowledge about international markets, making the international expansion much easier.
This paper explores the effect of a specific ownership characteristic—the presence of foreign shareholders—on the internationalization of SMEs. Foreign owners who have strategic equity stakes in domestic or host country firms are not only motivated by financial goals, but also by the desire to develop worldwide competitive advantages and capabilities, and thereby capture new markets, without the constraint of perceiving internationalization as a risky strategy due to their prior international experience. Thus, foreign ownership signals a greater knowledge of the international environment and may be indicative of a wider perspective of markets too (Fernández and Nieto, 2006).
Several authors suggested that foreign-owned subsidiaries possess a set of firm-specific advantages and resources that aren't available to domestic firms, such as access to technological, financial, marketing and human resources or the ability to exploit economies of scale, that enhance their performance and results (Harris and Robinson, 2003; Yudaeva *et al.*, 2003; Caves, 2007; Temouri *et al.*, 2008; Halkos and Tzeremes, 2010). Also, foreign firms invest in domestic firms to access local markets, including their location-specific productive resources (Anand and Delios, 1996). Foreign owners' presence increases the chances of international expansion if their objective is to gain access to the productive resources of global markets. Even if the objective of foreign owners is to gain access to local markets, their presence increases the chances of international expansion by domestic firms, because foreign owners bring competitive benefits. In particular, they provide domestic firms' access to lower cost financing, technical and managerial expertise, useful international experience and ties to international markets (Zhang and Van Den Bulcke, 1996; Chhibber and Majumdar, 2005). Thus, following the literature presented above and grounded on the

agency theory and the resource-based view (RBV) of the firm (Wernerfelt, 1984), it is hypothesized that foreign ownership is positively related to internationalization.
Additionally, differences in internationalization levels between firms can be related to differences in firm-specific advantages, as well as differences in industry's characteristics where firms operate. Industry classification is a relevant factor for internationalization, since industries present different financial structures, resource's demand and products with different levels of international marketability. Thus, it is relevant to study if there are significant differences between foreign-owned and domestic firms within particular industries, classified according to their technological intensity. Another interesting topic, grounded in the institutional economics literature, are the issues of development differences and institutional distances, that is the question if internationalization could be affected by the country of origin of capital and its development/institutional distance towards the host country (e.g., Chari and Shaikh, 2017). Potentially, a larger "institutional distance" increases firm internationalization levels due to the use of specific resources or knowledge (Zaheer and Hernandez, 2011).
Resulting from this literature review, we can now state a first set of hypotheses to be tested:

H1: The degree of foreign ownership is positively related with firm internationalization
- H1a: Foreign ownership has a positive effect on export intensity and diversification
- H1b: That effect is non-monotonic
- H1c: That effect differs between industries

H2: Firms with foreign capital coming from more institutionally developed countries present higher levels of internationalization.

2.2 Additional determinants of internationalization

Following previous authors (e.g., Cerrato and Piva, 2012; Gaur and Delios, 2015; Singla *et al.*, 2017), it is included a set of control variables (firm profitability, age, size and debt) in order to rule out alternative determinants of the sampled firms' levels of internationalization.
Concerning firm's financial performance, earlier studies on the correlation between internationalization and profitability were inconclusive (Gemunden, 1991). So, it is hypothesized that export intensity and diversity is a positive outcome of the firm's performance, measured by its profitability. That is, a good financial performance would result in an increased level of internationalization (Dhanaraj and Beamish, 2003).
As Reuber and Fischer (1997) pointed out, age as well as size can be considered as surrogates for skills and resources that are better measured directly. Age is generally used to control a firms' business experience and its effect on foreign expansion, since it is assumed that firms which have operated for a greater number of years have accumulated greater experience and knowledge. Older firms should possess a greater stock of knowledge and experience, which has a positive impact on internationalization (Johanson and Vahlne, 1977). A firm's size can influence its internationalization in different ways. First, larger firms are more likely to engage in international operations due to scale advantages that enable them to overcome potential financial and human resource barriers arising from foreign activities (Calof, 1994, Manolova *et al.*, 2002). Second, firm size could have a negative effect on ownership concentration, and thus a negative effect on internationalization, since more capital is needed to own the same percentage of a large firm as compared to a small one (Seifert *et al.*, 2005). Additionally, small size does not constitute per se a barrier to exporting and, despite having fewer resources, SMEs can successfully enter foreign markets and achieve a high level of exports (Verwaal and Donkers, 2002). Nevertheless, our research hypothesis is based on that first reason, being expected a positive relationship between firm size and internationalization due to the benefits of economies of scale that enable firms to overcome potential financial and human resource barriers arising from foreign activities (Navaretti *et al.*, 2011).
According to the free cash flow hypothesis (Jensen, 1986), there's an inverse relation between growth opportunities and debt ratios that predicts lower leverage for multinational

corporations. In line with these arguments, different authors (e.g., Doukas and Pantzalis, 2003; Desai *et al.*, 2008) find that multinational corporations have lower debt ratios due to greater risk and agency costs. So, we expect a negative relationship between total debt and internationalization, albeit with possible differences between short and long-term debt.
In sum, regarding the control variables, we state the following set of hypotheses:

H3: The relation between foreign ownership and internationalization differs between less and more profitable firms, the latter presenting higher levels of internationalization

H4: The relation between foreign ownership and internationalization differs between younger and older firms, the latter presenting higher levels of internationalization

H5: The relation between foreign ownership and internationalization differs between larger and smaller firms, the former presenting higher levels of internationalization

H6: The relation between foreign ownership and internationalization differs between more or less indebted firms, the latter presenting higher levels of internationalization.

3 Materials and methods

3.1 Variables description

In an attempt to characterize the several dimensions of "export performance", this paper uses two different variables: export intensity and export diversification. Export intensity is measured by total exports as a percentage of total sales (EXP). Regarding export diversification, studies reported in the literature use different measures, so that a consensus is still lacking on the best or true measure of international diversification (Majocchi and Strange, 2012; Boehe and Jiménez, 2016).
This paper uses a measure of entropy, which accounts for the dispersion or diversification of a firm's international sales. Considering the distribution of total exports in two main geographical areas (given the availability of data, the European Union and the rest of the world), it is used a measure of international diversification (INT) based on the Kim (1989) entropy index that has been extensively used in recent studies on international diversification (Majocchi and Strange, 2012).

$$\text{Index of international diversification (INT)} = \sum_{j=1}^{2} x_j \ln\left(\frac{1}{x_j}\right)$$

The subscript j defines one of the two markets and x_j is the percentage of sales realized in market j. The natural logarithm of the inverse of the sales realized in every market is the weight given to each geographical segment. The entropy measure will equal zero for firms that have all their sales concentrated in one region, and will reach a maximum value of 0.693 for firms with exactly the same share of sales in each of the two defined areas.
The independent variable foreign ownership (FO) is computed as the percentage of the firm's capital that is foreign-owned. This common way to measure foreign ownership was used by Halkos and Tzeremes (2010), Greenaway, Guariglia and Yu (2014), Konings (2001) and Hintosova and Kubikova (2016) among others. Following Cerrato and Piva (2012), and consistent with some other previous studies (e.g., Fernández and Nieto, 2006), the presence of foreign shareholders is also measured through a dummy variable (DUM_FO), which is 1 if one of the four largest shareholders is a foreigner, 0 otherwise. As our sample consists entirely of SMEs, focusing on the first four shareholders can be considered enough to have an exhaustive picture of the firm's ownership structure. On average, 85% of equity is reported as being controlled by foreigners in firms declaring the presence of foreign owners. Notice that, contrary to the variable FO, the use of a dummy variable to distinguish between foreign-owned and domestic-owned firms does not properly analyses the situations in-between, for instance the presence of JVs, with varying degrees of foreign ownership.
We assume that when the foreign capital comes from a country that is more institutionally developed than the host-country that should be beneficial in terms of internationalization. So, the variable institutional difference (INST) is measured using Holmes *et al.* (2008) *Heritage Index of Economic Freedom*. This index ranges from 0 to 100, with higher values indicating

greater economic development, being INST measured by the difference between Portugal's yearly index and the country of origin yearly index. So, positive (negative) values for INST indicate that Portugal is more (less) institutionally developed than the country of origin, being expected a negative relation. Alternatively, as a robustness check, traditional development variables such as HDI (*Human Development Index*) and GDP per capita (in PPP) differences between Portugal and the capital's country of origin are also tested.
Regarding the control variables, profitability is measured by ROA, computed as net income scaled by the book value of total assets. For kurtosis reasons, variables age (AGE) and size (SIZ) are measured, respectively, as the log of the number of years since the firm's inception and the log of total assets. The debt level of the firm is measured as total debt (TD = Total liabilities / Total assets) and its subdivision in short-term and long-term debt (respectively, Current Liabilities / Total Assets and Non-current Liabilities / Total Assets).

3.2 Data and methodology

This paper analyses a sample of industrial SMEs (codes 10 to 32, from the *European Classification of Economic Activities* – NACE – Rev. 2) obtained from SABI, a financial database powered by Bureau van Dijk (with the exception of the variables measuring "institutional difference", HDI and GDP per capita). Applying the criteria for SMEs definition (Commission Recommendation 2003/361/EC), thus excluding a large number of micro firms, considering only firms already existing in 2010 and presenting complete data for the entire period, excluding firms with negative debt ratios, equity and liabilities greater than assets, a ratio of foreign sales to total sales or foreign assets to total assets greater than 1 and winsorizing the observations below (and above) the 1st (and 99th) percentile, in order to eliminate spurious outliers, we obtained a balanced panel data of 5,722 SMEs distributed by all industrial sectors.
Table 1 presents a detailed description of our sample. The sample is composed of mature SMEs, with an average age of 30 years, accounting for 229,708 employees, a turnover near 23,000 M€, total assets of 23,930 M€ and an average ROA of 2.9% in 2017. The sample has 76.4% of small firms (4,372) and 23.6% of medium firms (1,350) and the average percentage of foreign ownership is around 4%, with 269 firms with partial or total foreign ownership, with capital coming from 28 different countries. In those 269 firms there are 198 wholly foreign-owned firms and 71 JVs, respectively with average ROA of 4.2% and 3.0%, and foreign ownership is more relevant in highly capital intensive sectors.
Table 2 presents some descriptive statistics and the correlation matrix of the variables. The sample's mean values for the different variables, differentiating between the two kinds of firms are presented, together with the results of a test for differences in mean values between the two sub-samples. Foreign firms present significantly better performance measures, are larger, export-oriented and display lower levels of indebtedness. Regarding the correlation coefficients, they are generally low with foreign ownership negatively correlated with institutional difference, meaning that foreign capital comes mainly from more developed countries.

Table 1 – Distribution of the sample by industry classifications

Industry classification (NACE)	Number of firms	Small firms (%)	Aver. number of empl.	Average sales (th€)	Exports (%)	Average EBITDA (th€)	Foreign ownership (%)
Food products (10)	821	78.6%	36.2	5,049.0	7.6%	351.1	2.4%
Beverages and tobacco (11/12)	129	88.4%	26.5	4,702.1	27.7%	741.1	7.0%
Textiles (13)	327	71.2%	47.8	4,756.4	32.0%	496.4	3.2%
Wearing apparel (14)	457	66.1%	52.0	3,795.2	61.5%	265.4	1.4%
Leather and related products (15)	394	58.9%	53.7	3,869.3	49.2%	281.9	2.0%
Wood and of products of wood and cork (16)	323	86.4%	30.8	3,584.6	26.3%	335.4	2.0%
Paper and paper products (17)	108	68.5%	51.4	7,452.4	15.3%	724.9	10.1%
Printing and reproduction of recorded media (18)	199	86.4%	29.6	2,161.4	5.2%	306.7	0.5%
Refined petroleum, chemicals, man-made fibers and pharmaceutical products (19/20/21)	161	73.9%	44.5	7,431.9	19.0%	753.9	16.7%
Rubber and plastic products (22)	306	73.2%	44.0	5,512.5	23.7%	692.6	6.9%
Other non-metallic mineral products (23)	443	81.0%	34.8	3,008.8	30.7%	426.2	4.0%
Basic metals (24)	55	61.8%	52.8	7,503.2	34.6%	824.3	4.6%
Fabricated metal products (25)	995	80.7%	35.7	3,153.1	27.2%	404.1	3.6%
Computer, communication and electronic equip. (26)	27	66.7%	61.4	7,037.7	36.5%	618.7	11.1%
Electrical equipment (27)	111	77.5%	40.5	4,260.5	30.0%	437.5	9.7%
Machinery and equipment (28)	285	76.5%	40.3	3,916.3	32.7%	482.6	5.5%
Motor vehicles, trailers and parts (29)	86	62.8%	53.0	4,874.2	40.5%	521.2	12.8%
Other transport equipment (30)	22	54.6%	58.7	6,106.5	45.2%	625.9	18.2%
Furniture (31)	341	82.1%	32.0	1,947.8	32.7%	218.1	0.9%
Other manufacturing activities (32)	132	84.9%	31.3	2,073.0	19.3%	193.7	6.1%
	5,722	**76.4%**	**40.1**	**4,019.0**	**28.6%**	**411.9**	**4.0%**

Note: Small firms are firms with less than 50 employees. Sectors 11/12 and 19/20/21 are aggregated since the sample only comprises a very small number of firms in sectors 12, 19 and 21.

Table 2. Descriptive statistics and correlation

	Domestic firms (n = 5453)	Foreign firms (n = 269)	Mean differ. (t-test)	FO	INST	ROA	AGE	SIZ	STD	LTD
EXP	26.3%	52.5%	32.13 (***)	0.164 (***)	-0.118 (***)	0.085 (***)	0.038 (***)	0.277 (***)	0.073 (***)	-0.048 (***)
INT	0.16	0.25	3.35 (***)	0.072 (***)	-0.068 (***)	0.016 (***)	0.136 (***)	0.035 (***)	-0.044 (***)	-0.008 (*)
FO	…	85.7%	...	1	-0.535 (***)	0.034 (***)	0.007 (***)	0.222 (***)	-0.015 (***)	-0.050 (***)
INST	…	- 4.6	...		1	- 0.042 (***)	-0.003	- 0.148 (***)	0.025 (***)	0.030 (***)
ROA	2.9%	3.9%	5.62 (***)			1	-0.091 (***)	0.049 (***)	-0.123 (***)	-0.170 (***)
AGE	3.1	3.1	0.69				1	0.285 (***)	-0.217 (***)	-0.111 (***)
SIZ	7.4	8.7	56.96 (***)					1	-0.086 (***)	0.007
STD	41.1%	39.0%	-4.46 (***)						1	-0.289 (***)
LTD	16.4%	13.0%	-9.66 (***)							1

Notes: “Domestic firms” are firms with fully national share capital; “Foreign firms” are firms with partial or total foreign ownership. * p < 0.10; ** p < 0.05; *** p < 0.01

In order to attain our research objective we apply two different econometric techniques. First, a panel data methodology which can be estimated trough three different regression models: Pooled Ordinary Least Squares (POLS), Fixed Effects Model (FEM) and Random Effects Model (REM), with the usual tests indicating that REM is more appropriate. In each case, we checked for multi-collinearity and found adequate VIF factors in all regressions. We also controlled for heteroscedasticity using Whites' cross-section method, and hence have robust standard errors. Second, since the dependent variables are left-censored, we adopt a Tobit methodology (Gujarati and Porter, 2008). Tobit regressions are nonlinear therefore the coefficients should be interpreted with care and do not measure the real causal effect on the dependent variable. This effect is correctly measured only by the marginal effect however the coefficients maintain the significance and sign of the marginal effects, allowing the test of our hypotheses.
In the two methodologies we run the two dependent variables (EXP and INT) on the variables FO and INST and the control variables ROA, AGE, SIZ and debt (divided in short-term - STD and long-term debt - LTD). The explanatory power of the REM model is given by the overall R^2 and the significance of the Tobit regression is assessed by reference to the Wald χ^2 statistic and the log-likelyhood ratio.

4 Results and discussion

4.1 Empirical results

Table 3 presents the regression results for the random-effects model, where the two alternative dependent variables are run on the variables “foreign ownership” (FO), “institutional difference” (INST) and development variables (HDI and GDP), and the control variables ROA, AGE, SIZ and debt (STD and LTD). The first column presents the results for all firms considering only the control variables and the second column introduces a dummy variable for foreign-owned firms (DUM_FO). The following columns present separate results for the domestic and foreign firms’ sub-samples. With the full specifications the random-effects models present a goodness of fit between 4% and 12%.
Table 4 presents the regression results for the same dependent variables but with a Tobit specification. The Tobit regressions show comforting results for the overall indexes of goodness of fit (χ^2 and log-likelyhood ratio), suggesting a good overall specification of the model.

Table 3. Results: Random-effects model

	All firms (n= 5722)		Domestic firms (n = 5453)		Foreign firms (n = 269)				
	EXP	**EXP**	**EXP**	**INT**	**EXP**	**EXP**	**EXP**	**EXP**	**INT**
C	-0.229*** (0.000)	-0.226*** (0.000)	-0.245*** (0.000)	-0.340*** (0.000)	0.375 (0.000)	0.513*** (0.000)	0.477*** (0.000)	0.492*** (0.000)	-0.151* (0.089)
FO					0.002** (0.031)				
DUM_FO		0.200*** (0.000)							
INST						-0.003* (0.099)			-0.033** (0.012)
HDI							-0.890** (0.022)		
GDP								-0.000** (0.014)	
Controls									
ROA	0.110*** (0.000)	0.112*** (0.000)	0.113*** (0.000)	-0.029* (0.053)					-0.023 (0.660)
AGE	0.045*** (0.000)	0.048*** (0.000)	0.050*** (0.000)	0.033*** (0.000)					0.075*** (0.000)
SIZ	0.049*** (0.000)	0.046*** (0.000)	0.047*** (0.000)	0.055*** (0.000)					0.019* (0.059)
STD	0.000 (0.974)	0.002 (0.974)	0.007 (0.335)	0.009 (0.256)					-0.031 (0.321)
LTD	-0.023*** (0.003)	-0.019** (0.011)	-0.020** (0.011)	-0.031*** (0.000)					0.004 (0.923)
Overall R^2	**0.06**	**0.08**	**0.06**	**0.12**	**0.02**	**0.03**	**0.03**	**0.01**	**0.04**

Notes: Standard-deviations presented in brackets. * p < 0.10; ** p < 0.05; *** p < 0.01.

Table 4. Results: Tobit model

	All firms (n= 5722)		Domestic firms (n = 5453)		Foreign firms (n = 269)				
	EXP	**INT**	**EXP**	**INT**	**EXP**	**EXP**	**EXP**	**EXP**	**INT**
C	-0.793*** (0.000)	-1.415*** (0.000)	-0.812*** (0.000)	-1.465*** (0.000)	0.346*** (0.000)	0.470*** (0.000)	0.437*** (0.000)	0.480*** (0.000)	-0.459*** (0.000)
FO					0.002*** (0.000)				
INST						-0.009*** (0.000)			-0.006*** (0.000)
HDI							-1.422*** (0.000)		
GDP								-0.000** (0.000)	
Controls									
ROA	0.580*** (0.000)	0.088** (0.022)	0.625*** (0.000)	0.116*** (0.005)					-0.209* (0.068)
AGE	-0.011*** (0.004)	0.040*** (0.000)	-0.001 (0.825)	0.040*** (0.000)					0.055*** (0.000)
SIZ	0.123*** (0.000)	0.165*** (0.000)	0.119*** (0.000)	0.170*** (0.000)					0.056*** (0.000)
STD	0.248*** (0.000)	0.040*** (0.015)	0.269*** (0.000)	0.049*** (0.000)					-0.089** (0.028)
LTD	-0.032** (0.026)	-0.039*** (0.009)	-0.016 (0.293)	-0.033** (0.035)					-0.088 (0.107)
LR χ^2	6215.5***	9633.1***	5502.2***	9183.1***	34.2***	54.0***	60.1***	17.6***	142.8***
LLR	-27009.7	-25695.3	-25568.5	-24506.5	-1111.1	-1097.98	-1099.0	-1119.6	-1074.4

Notes: Standard-deviations presented in brackets. * p < 0.10; ** p < 0.05; *** p < 0.01.

Since one of the objectives of this paper is to test the presence of non-linear effects of foreign ownership in internationalization, we alternatively test the variables FO and INST and their squares as independent variables, for the sub-sample of “foreign firms” (Table 5), being presented only the most significant results.

Table 5. Testing the presence of non-linearities (foreign firms: n=269)

	Tobit					Random-effects		
	EXP	**EXP**	**INT**	**INT**		**EXP**	**EXP**	**EXP**
C	0.387*** (0.000)	0.437*** (0.000)	0.131*** (0.000)	0.110*** (0.000)		0.460*** (0.000)	-0.476*** (0.000)	0.231*** (0.000)
FO								
FO^2								
INST			-0.007*** (0.000)					-0.003* (0.090)
$INST^2$			0.000*** (0.000)					0.000 (0.237)
HDI	-1.802*** (0.000)			-0.735*** (0.000)		-0.950** (0.029)		
HDI^2	5.873*** (0.000)			5.864* (0.000)		2.671 (0.162)		
GDP		-0.000*** (0.000)					-5.010*** (0.018)	
GDP^2		-0.000*** (0.000)					0.000* (0.100)	
LR χ^2	76.68***	1541.4***	82.9***	35.0***	***Overall R^2***	4%	2%	3%
LLR	-1085.8	-1089.8	-1117.3	-1129.1				

Notes: Standard-deviations presented in brackets. * p < 0.10; ** p < 0.05; *** p < 0.01.

Finally, following the Eurostat approach, our sample is clustered in four groups according to technological intensity: Group I for low technology (NACE codes 10 to 18 and 31 to 32); Group II for medium-low technology (22 to 25); Group III for medium-high technology (19/20/21 and 27 to 30); and Group IV for high-technology (26). These four groups of firms are rather similar in terms of average firm age, size and export activity, albeit foreign capital is much more prevalent in the medium and high-technology groups. Table 6 presents the results of a Tobit model applied to those four different groups of firms.

4.2 Discussion

We now analyse the results at the light of the different hypotheses. The first rows in Tables 3 and 4 evidence that “foreign ownership” does seem to have a significant positive impact on internationalization. This evidence that foreign-owned firms display higher levels of internationalization confirms the results reported by Cerrato and Piva (2012) and Wach (2017), meaning that foreign firms have a stronger focus on international markets. The presence of a foreign shareholder can be an important source of knowledge of foreign markets, international experience and business contacts, therefore positively affecting internationalization. Thus, any changes in the ownership structure of firms should also be evaluated in the light of the possible effects on their international expansion. Considering only the wholly or partial foreign-owned firms, regressions using the “distance” variables evidence that firms with foreign capital coming from more institutionally and economically advanced countries, display higher levels of export intensity.

Table 6. Results for all firms divided according to technological intensity (Tobit model)

	Group I (n=3231)				Group II (n=1799)			
	EXP		INT		EXP		INT	
C	-0.845***	-0.862***	-1.444***	-1.435***	-0.657***	-0.675***	-1.448***	1.451***
	(0.025)	(0.025)	(0.026)	(0.026)	(0.031)	(0.030)	(0.039)	(0.039)
FO	0.002***		-0.001***		0.003***		0.001***	
	(0.000)		(0.000)		(0.000)		(0.000)	
INST		-0.009***		0.001		-0.021***		-0.009***
		(0.002)		(0.002)		(0.002)		(0.002)
Controls								
ROA	0.634***	0.627***	0.109**	0.111**	0.497***	0.490***	0.089	0.086
	(0.056)	(0.056)	(0.052)	(0.052)	(0.062)	(0.062)	(0.073)	(0.073)
AGE	-0.001	-0.003	0.023***	0.024***	-0.005	-0.009	0.076***	0.075***
	(0.005)	(0.005)	(0.006)	(0.006)	(0.007)	(0.007)	(0.009)	(0.008)
SIZ	0.119***	0.123***	0.172***	0.170***	0.104***	0.109***	0.156***	0.157***
	(0.002)	(0.002)	(0.003)	(0.002)	(0.003)	(0.003)	(0.004)	(0.004)
STD	0.330***	0.328***	0.054***	0.055***	0.173***	0.172***	0.000	0.001
	(0.017)	(0.017)	(0.016)	(0.016)	(0.019)	(0.019)	(0.024)	(0.024)
LTD	-0.070***	-0.075***	-0.042**	-0.039**	0.057**	0.039*	-0.044	-0.049*
	(0.020)	(0.020)	(0.019)	(0.019)	(0.022)	(0.022)	(0.029)	(0.029)
LR χ^2	3716.1***	3650.8***	5782.9***	5757.0***	1867.8***	1726.4***	2544.9***	2545.2***
LLR	-16033.4	-16066.1	-13822.2	-13831.1	-7549.4	-7609.1	-8535.7	-8537.0

	Group III (n=665)				Group IV (n=27)			
	EXP		INT		EXP		INT	
C	-0.639***	-0.629***	-1.091***	-1.078***	-0.195	-0.161	0.859*	0.923*
	(0.047)	(0.046)	(0.054)	(0.054)	(0.404)	(0.397)	(0.478)	(0.471)
FO	0.002***		-0.000		-0.011***		0.008	
	(0.000)		(0.000)		(0.003)		(0.008)	
INST		-0.018***		-0.003*		0.058***		-0.068**
		(0.002)		(0.002)		(0.014)		(0.034)
Controls								
ROA	0.509***	0.490***	-0.006	-0.008	-0.014	-0.004	-0.375	-0.341
	(0.086)	(0.085)	(0.091)	(0.091)	(0.271)	(0.272)	(0.448)	(0.446)
AGE	-0.021**	-0.025**	0.044***	0.048***	-0.044	-0.045	-0.123**	-0.123**
	(0.010)	(0.010)	(0.011)	(0.011)	(0.043)	(0.043)	(0.060)	(0.060)
SIZ	0.116***	0.117***	0.131***	0.127***	0.069	0.064	-0.070	-0.080
	(0.005)	(0.005)	(0.005)	(0.005)	(0.051)	(0.049)	(0.065)	(0.064)
STD	0.113***	0.117***	0.101***	0.105***	-0.090	-0.087	-0.342*	-0.329*
	(0.028)	(0.028)	(0.032)	(0.032)	(0.119)	(0.119)	(0.178)	(0.177)
LTD	0.139***	0.125***	0.068*	0.079**	0.625***	0.631***	-0.054	-0.057
	(0.037)	(0.037)	(0.040)	(0.040)	(0.146)	(0.146)	(0.228)	(0.229)
LR χ^2	1034.6***	1194.6***	794.8***	802.4***	53.5***	43.8***	10.4	13.7**
LLR	-2359.0	-2340.8	-2971.4	-2971.4	-117.1	-117.3	-134.3	-133.5

Notes: Standard-deviations presented in brackets. * p < 0.10; ** p < 0.05; *** p < 0.01.

Also, regarding the possibility of a non-linear relationship, the results presented in Table 5 show that institutional differences display a significant U-shaped relation with international diversification. Firms with foreign capital coming from more institutionally advanced countries (lower levels for INST) display increased levels of exports and international diversification. This result, partially confirming H2, evidences the potentially low levels of internationalization obtained by firms where part or whole of the capital comes from less developed countries, lacking the necessary resources, technologies and managerial and international networking skills to obtain higher levels of internationalization.

The quadratic nature of the relationship between institutional differences and internationalization calls for major attention to those effects by policymakers, who should focus their energies in attracting FDI from significantly more developed countries, enhancing the internationalization levels of those firms and their spillover effects to the economy. Capital coming from less developed countries also seems to have a positive effect, possibly due to some sort of positive “cultural” promoting and complementing effects. Globally, these results mean that when capital comes from countries similar to Portugal in terms of

institutional/cultural development levels, the impacts on internationalization are lower, possible because that capital is mainly devoted to promote the exploitation of the domestic market by the firm.
Regarding the hypotheses related with the control variables (Tables 3 and 4), the coefficients tend to be significant, confirming the different hypotheses. Confirming H3 and H4, profitability and age both seem to exert a positive effect on export intensity. Also confirming H5, smaller firms present lower internationalization levels possibly as a result of their lack of resources and difficulties with access to finance and specific skills, confirming H5 and the results of Cerrato and Piva (2012). Typically, firms in Portugal are micro or small firms, so policymakers should create an adequate set of incentives to foster mergers and acquisitions, as a way to improve firms' internationalization. Finally, confirming previous results and H6, more leveraged firms display lower levels of internationalization, but short-term debt exerts a positive effect, thus evidencing the immediate financing needs faced by firms trying to expand internationally.
Regarding differences between industries, classified according to their technological content, Table 6 evidences that with the exception of Group IV (high-technology firms) foreign capital seems to exert a positive effect on export intensity across sectors, with the results for international diversification being less significant. Institutional differences continue to present a significant negative coefficient, particularly regarding export intensity. These results highlight the fact that industry characteristics matter in SMEs' internationalization processes.

5 Conclusion

Management theories should not consider firms just as a value maximizing entity regardless of its owners. Different owners and managers have different risk attitudes, face different incentives and bring to the firm different resources, so similar firms could present different degrees of internationalization. Only a limited number of papers have attempted to examine how the degree of foreign ownership in a firm influences its international performance. At the light of the current literature about foreign investment effects and ownership and control advantages, this paper fills a gap studying the differences in terms of internationalization between domestic and wholly or partially owned foreign firms.
The degree of foreign ownership and institutional difference generally showed a significant positive relationship with internationalization, meaning that the origin of the capital seems to exert influence on the different firms' internationalization levels. Also, albeit the small coefficients obtained, there seems to exist a non-linear relationship between the development level of the country of origin of the share capital and internationalization, with the results indicating that firms with capital coming from more institutionally advanced countries attain higher internationalization levels.
Regarding the main questions addressed in this paper, we can answer that: i) compared to other firms, foreign firms display higher internationalization levels; ii) internationalization is positively impacted when foreign capital comes from more institutionally and economically advanced countries; iii) there is a significant positive relation between firm's profitability, age and size with internationalization and a significant negative impact of firms' level of indebtedness on internationalization.
This paper gives a contribution to the literature about foreign capital impact on internationalization, studying if there are significant differences between domestic and foreign-owned firms. Nevertheless, some limitations should be mentioned: i) probably, the firms' degree of internationalization is affected by several variables that were absent (e.g., managerial labour and product markets, political and economic factors or even the personality of shareholders and managers). Our results evidence internationalization differences between the two types of firms, but those differences are not completely explained by the employed variables, not taking in account the complexity of interests involved in the ownership structure. For instance, future research should explore the relationship of different types of owners with internationalization in greater detail, because

different types of owners have varying preferences and motivations with respect to firm's internationalization (e.g., research the specific objectives of foreign capital entry into each firm). That is, foreign entry is associated with a long-term view, focused on firm growth and expansion abroad, or is it simply a speculative short-term move?.; ii) firms may use other internationalization methods that have not been explored. The majority of the firms in the sample are too small to have foreign subsidiaries, but they could have entered into agreements with local companies. Unfortunately, the database does not provide that information, but future extensions of this work should analyze the use of alliances between SMEs and foreign partners with local knowledge. As it is highlighted by network-based contributions (Johanson and Vahlne, 2009), internationalization can be assessed as internationalization of the network in which the firm is embedded. Therefore, the inclusion of variables related to the firm's "networking activity" could lead to a deeper understanding of its patterns of international development; iii) the dataset comprises 5,722 firms, but only 269 have partial or total foreign ownership. Ideally, a larger number of observations and firms, in particular of "foreign firms", allowing a clearer differentiation between wholly foreign-owned firms and JVs, could result in more robust results; iv) finally, a factor that can limit the generalization of the results is that the measures of internationalization used in the literature differ widely, leaving us with the question whether our results are dependent on the measures used and on the specific context of the Portuguese economy. Notice that the specific problems faced by firms depend substantially on the prevailing institutional environment and external governance mechanisms available in a country.

Given the importance of the performance-promoting channel of FDI, our findings may be of use in the optimization of investment promotion policies. In particular, our results underline the importance of commercial diplomacy efforts made by policymakers to attract foreign capital, promoting the establishment of joint ventures between domestic firms and firms located in countries with higher levels of institutional and economic development.

References

Anand, J. and Delios, A., 1996. Competing globally: How Japanese MNCs have matched goals and strategies in India and China. *Columbia Journal of World Business*, 31(3), pp. 50-62.

Bhaumik, S., Driffield, N. and Pal, S., 2010. Does ownership structure of emerging-market firms affect their outward FDI? The case of the Indian automotive and pharmaceutical sectors. *Journal of International Business Studies*, 41(3), pp. 437-450.

Boehe, D. and Jiménez, A., 2016. How does the geographic export-diversification-performance relationship vary at different levels of export intensity?. *International Business Review*, 25(6), pp. 1262-1272.

Buckley, P. and Casson, M., 1976. *The Future of the Multinational Enterprise*. Basingstoke: Macmillan.

Calof, J., 1994. The relationship between firm size and export behavior revisited. *Journal of International Business Studies*, 25(2), pp. 367-387.

Caves, R., 2007. *Multinational Enterprise and Economic Analysis*. 3rd edition, Cambridge: Cambridge University Press.

Cerrato, D. and Piva, M., 2012. The internationalization of small and medium-sized enterprises: the effect of family management, human capital and foreign ownership. *Journal of Management & Governance*, 16(4), pp. 617-644.

Chari, M. and Shaikh, I., 2017. Defying distance? Cross border acquisitions by emerging economy firms. *Thunderbird International Business Review*, 59(2), pp. 173-186.

Chhibber, P. and Majumdar, S., 2005. Property rights and the control of strategy: Foreign ownership rules and domestic firm globalization in Indian industry. *Law & Policy*, 27(1), pp. 52-80.

Coviello, N. and McAuley, A., 1999. Internationalisation and the smaller firm: a review of contemporary empirical research. *Management International Review*, 39(3), pp. 223-256.

Demsetz, H. and Villalonga, B., 2001. Ownership structure and corporate performance. *Journal of Corporate Finance*, 7(3), pp. 209-233.

Desai, M., Foley, C. and Hines, J., 2008. Capital structure with risky foreign investment. *Journal of Financial Economics*, 88(3), pp. 534-553.

Dhanaraj, C. and Beamish, P., 2003. A resource-based approach to the study of export performance. *Journal of Small Business Management,* 41(3), pp. 242-261.

Doukas, J. and Pantzalis, C., 2003. Geographic diversification and agency costs of debt of multinational firms. *Journal of Corporate Finance*, 9(1), pp. 59-92.

Douma, S., George, R. and Kabir, R., 2006. Foreign and domestic ownership, business groups, and firm performance: Evidence from a large emerging market. *Strategic Management Journal*, 27(7), pp. 637-657.

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

Fernández, Z. and Nieto, M., 2006. Impact of ownership on the international involvement of SMEs. *Journal of International Business Studies*, 37(3), pp. 340-351.

Filatotchev, I., Strange, R., Piesse, J. and Lien, Y., 2007. FDI by firms from newly industrialised economies in emerging markets: corporate governance, entry mode and location. *Journal of International Business Studies*, 38(4), pp. 556-572.

Gaur, A. and Delios, A., 2015. International diversification of emerging market firms: The role of ownership structure and group affiliation. *Management International Review*, 55(2), pp. 235-253.

Gemunden, H.-G., 1991. Success factors on export marketing: A meta-analytic critique of the empirical studies. In S. Paliwoda (Ed.), *New Perspectives on International Marketing*, Routledge, London, pp. 33-62.

George, G., Wiklund J. and Zahra, S., 2005. Ownership and the internationalization of small firms. *Journal of Management*, 31(2), pp. 210-233.

Graves, C. and Thomas, J. 2004. Internationalisation of the family business: A longitudinal perspective. *International Journal of Globalisation and Small Business*, 1(1), pp. 7-27.

Greenaway, D., Guariglia, A. and Yu, Z., 2014. The more the better? Foreign ownership and corporate performance in China. *The European Journal of Finance*, 20(7-9), pp. 681-702

Gujarati, D. and Porter, D., 2008. *Basic Econometrics*. 5th edition, Irwin: McGraw-Hill.

Halkos, G. and Tzeremes, N., 2010. The effect of foreign ownership on SMEs performance: An efficiency analysis perspective. *Journal of Production Analysis*, 34(2), pp. 167-180.

Harris, R. and Robinson, C., 2003. Foreign ownership and productivity in the United Kingdom: Estimates for UK manufacturing using the ARD. *Review of Industrial Organization,* 22(3), pp. 207-223.

Hintosova, A. and Kubikova, Z., 2016. The effect of the degree of foreign ownership on firms' performance. *Review of Economic Perspectives*, 16(1), pp. 29-43.

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

Holmes, K., Feulner, E. and O'Grady, M., 2008. *Index of economic freedom: The link between economic opportunity and prosperity*. Washington, D.C.: The Heritage Foundation and The Wall Street Journal (www.heritage.org).

Hoskisson, R., Hitt, M., Johnson, R. and Grossman, W., 2002. Conflicting voices: The effects of institutional ownership heterogeneity and internal governance on corporate innovation strategies. *Academy of Management Journal*, 45(4), pp. 697-716.

Jensen, M., 1986. Agency costs of free cash flow, corporate finance and takeover. *American Economic Review*, 76(2), pp. 323-329.

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

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

Kim, W., 1989. Developing a global diversification measure. *Management Science*, 35(3), pp. 376-383.

Konings, J., 2001. The effects of foreign direct investment on domestic firms. *Economics of Transition*, 9(3), pp. 619-633.

Kontinen, T. and Ojala, A., 2010. The internationalization of family businesses: A review of extant research. *Journal of Family Business Strategy*, 1(2), pp. 97-107.

Kontinen, T. and Ojala, A., 2011. International opportunity recognition among small and medium-sized family firms. *Journal of Small Business Management*, 49(3), pp. 490-514.

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

Lu, J., Xu, B. and Liu, X., 2009. The effects of corporate governance and institutional environments on export behaviour in emerging economies. *Management International Review*, 49(4), pp. 455-478.

Majocchi, A. and Strange, R., 2012. International diversification: the impact of ownership structure, the market for corporate control and board independence. *Management International Review*, 52(6), pp. 879-900.

Manolova, T., Brush, C., Edelman, L. and Greene, P., 2002. Internationalization of small firms: Personal factors revisited. *International Small Business Journal*, 20(1), pp. 9-31.

Myers, S., 1977. Determinants of corporate borrowing. *Journal of Financial Economics*, 5(2), pp. 147-175.

Narayanan, V., 2015. Export barriers for small and medium-sized enterprises: A literature review based on Leonidou's Model. *Entrepreneurial Business and Economics Review*, 3(2), pp. 105-123.

Navaretti, G., Bugamelli, M., Schivardi, F., Altomonte, C., Horgos, D. and Maggioni, D., 2011. The global operations of European firms: the second EFIGE policy report. Bruegel Blueprint 12, July.

Pacheco, L., 2017. Financial structure effects on export intensity and diversification: the case of Portuguese industrial firms. *International Journal of Globalisation and Small Business*, 9(4), pp. 252-276.

Pedersen, T. and Petersen, B., 1998. Explaining gradually increasing resource commitment to a foreign market. *International Business Review*, 7(5), pp. 483-501.

Ramaswamy, K., Li, M. and Veliyath, R., 2002. Variations in ownership behavior and propensity to diversify: A study of the Indian corporate context. *Strategic Management Journal*, 23(4), pp. 345-358.

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

Rocco, V., 1996. Going global: A CEO's perspective. *Journal of Management in Engineering*, 12(2), pp. 21-24.

Rugman, A., 1976. Risk reduction by international diversification. *Journal of International Business Studies*, 7(2), pp. 75-80.

Ruzzier, M., Hisrich, R. and Antoncic, B., 2006. SME internationalization research: Past, present, and future. *Journal of Small Business and Enterprise Development*, 13(4), pp. 476-497.

Sciascia, S., Mazzola, P., Astrachan, J. and Pieper, T., 2012. The role of family ownership in international entrepreneurship: Exploring nonlinear effects. *Small Business Economics*, 38(1), pp. 15-31.

Seifert, B., Gonenc, H. and Wright, J., 2005. The international evidence on performance and equity ownership by insiders, blockholders, and institutions. *Journal of Multinational Financial Management*, 15(2), pp. 171-191.

Shleifer, A. and Vishny, R., 1986. Large shareholders and corporate control. *The Journal of Political Economy*, 94(3-1), pp. 461-488.

Shleifer, A. and Vishny, R., 1997. A survey of corporate governance. *The Journal of Finance*, 52(2), 737-783.

Singh, D. and Gaur, A., 2013. Governance structure, innovation and internationalization: Evidence from India. *Journal of International Management*, 19(3), pp. 300-309.

Singla, C., George, R. and Veliyath, R., 2017. Ownership structure and internationalization of Indian firms. *Journal of Business Research*, 81, pp. 130-143.

Sousa, C., Martínez-López, F. and Coelho, F., 2008. The determinants of export performance: A review of the research in the literature between 1998 and 2005. *International Journal of Management Reviews*, 10(4), pp. 343-374.

Stouraitis, V., Mior Harun, M. and Kyritsis, M., 2017. Motivators of SME initial export choice and the European Union regional effect in manufacturing. *International Journal of Entrepreneurial Behavior & Research,* 23(1), pp. 35-55.

Temouri, Y., Driffield, N. and Anon Higon, D., 2008. Analysis of productivity differences among foreign and domestic firms: Evidence from Germany. *Review of World Economics,* 144(1), pp. 32-54.

Thomsen, S. and Pedersen, T., 2000. Ownership structure and economic performance in the largest European companies. *Strategic Management Journal*, 21(6), pp. 689-705.

Tihanyi, L., Johnson, R., Hoskisson, R. and Hitt, M., 2003. Institutional ownership differences and international diversification: The effects of boards of directors and technological opportunity. *Academy of Management Journal*, 46(2), pp. 195-211.

Venkatraman, N. and Ramanujam, V., 1986. Measurement of business performance in strategy research: A comparison of approaches. *Academy of Management Review*, 11(4), pp. 801-814.

Verwall, E. and Donkers, B., 2002. Firm size and export intensity: solving an empirical puzzle. *Journal of International Business Studies*, 33(3), pp. 603–613

Villalonga, B. and Amit, R., 2006. How do family ownership, control and management affect firm value?. *Journal of Financial Economics*, 80(2), pp. 385-417.

Wach, K., 2017. Exploring the role of ownership in international entrepreneurship: How does ownership affect internationalisation of Polish firms?. *Entrepreneurial Business and Economics Review*, 5(4), pp. 205-224.

Wernerfelt, B., 1984. A resource-based view of the firm. *Strategic Management Journal*, 5(2), pp. 171-180.

Yudaeva, K., Kozlov, K., Melentieva, N. and Ponomareva, N., 2003. Does foreign ownership matter. *Economics of Transition*, 11(3), pp. 383-409.

Zaheer, S. and Hernandez, E., 2011. The geographic scope of the mnc and its alliance portfolio: Resolving the paradox of distance. *Global Strategy Journal*, 1(1/2), pp. 109-126.

Zhang, H. and Van Den Bulcke, D., 1996. China: rapid changes in the investment development path. *Foreign Direct Investment and Governments: Catalysts for economic restructuring,* London: Routledge, pp. 380-422.

Acknowledgements
This work is supported by FEDER funds from COMPETE 2020 and Portuguese funds - PORTUGAL 2020. Project IEcPBI - Interactive Ecosystem for Portuguese Business Internationalization - POCI-01-0145-FEDER-032139.