

Disentangling the effects of domestic corporate political activity and political connections on firms' internationalisation: Evidence from US retail MNEs

Abstract

Scholars are increasingly investigating the implications of firms' domestic corporate political activity (CPA) and political connections on their internationalisation prospects. In this paper, using insights from the resource dependence theory, we argue that domestic CPA and political connections developed within the home country have contrasting effects on firms' international expansion, such that, while domestic CPAs (mainly, lobbying and campaign contributions) facilitate internationalisation, political connections deter internationalisation. We also argue that this relationship is moderated by firms' international experience and product diversification. We test our hypotheses using a panel dataset comprising 38 retail Multinational Enterprises (MNEs) originating in the United States (US) whose activities we traced over the 16-year period 2003-2018. Our findings support our hypotheses.

Keywords: corporate political activity; lobbying; political action committees; political connections; internationalisation; retailers

1. Introduction

Firms engage with their external political stakeholders in various ways. In countries where legitimate business-government mechanisms are available, corporate political activities (CPAs) such as information-based *lobbying* and *campaign contributions* to politicians are popular forms of such engagement (Campos & Giovannoni, 2007; Hillman & Wan, 2005; McGuire, Lindeque, & Suder, 2012). Firms also engage with policymakers via *political connections*, which involve them developing informal ties or appointing (ex) politicians on their board of directors or at other senior management positions (Faccio, 2006; Hillman, 2005). In this context, an important issue being discussed in the international business (IB) literature is whether and how firms' CPA and political connections pursued in their home country can have consequences on their internationalisation (Albino-Pimentel, Anand, & Dussauge, 2018; Chen, Li, & Fan, 2018; Deng, Yan, & van Essen, 2018; Fernández-Méndez, García-Canal, & Guillén, 2018; Yan, Zhu, Fan, & Kalfadellis, 2018).

Multinational enterprises (MNEs) face a variety of stakeholder issues in both their home and in the host countries they operate in. Although largely neglected by IB research so far, we suggest that the political capital and knowledge developed by firms at home can be an important source of advantage for internationalisation (Frynas, Mellahi, & Pigman, 2006; Holburn & Zelner, 2010). So far, however, research finds inconsistent results for the nature of the effects of such home country political capital for firms' internationalisation. Recent studies conducted in developed countries suggest that firms' domestic political connections affect their internationalisation negatively (Albino-Pimentel, et al., 2018; Fernández-Méndez, et al., 2018). In contrast, studies based in emerging-economy contexts suggest that firms' political connections can both facilitate (Deng, et al., 2018; Yan, et al., 2018) as well as deter internationalisation (Du & Luo, 2016).

Our paper, firstly, aims to contribute to this discussion by arguing that in developed countries, CPAs (mainly, lobbying and campaign contributions) can have different consequences on firms' internationalisation as compared to the effects of *political connections*. In particular, while we agree with the prior position that political connections affect internationalisation negatively (Fernández-Méndez, et al., 2018), we argue that CPA will impact internationalisation positively. We attribute these different effects to variations in firms' dependence on specific resources (Pfeffer & Salancik, 2003), which in turn can engender different forms of political engagement. We complement this resource dependence logic with insights from the political knowledge and capabilities literature (Holburn & Zelner, 2010; Lawton, Rajwani, & Doh, 2013; Oliver & Holzinger, 2008) to guide our hypothesis development.

Resource dependence theory (RDT) suggests that firms depend on external stakeholders, such as governments, to provide them with access to crucial resources for their operations (Pfeffer & Salancik, 2003), and has been used in the analysis of both firms' CPA in international business (Boddewyn, 2016; Okhmatovskiy, 2010; Shirodkar & Mohr, 2015a, 2015b). Lobbying, the most widely used form of CPA in developed countries, differs fundamentally from political connections with regard to the mechanism through which it allows firms to absorb the constraints associated with their resource dependence. Lobbying involves exchanging information, research reports and other resources with external stakeholders that are valuable for the government in policymaking (De Figueiredo & Richter, 2013; Hillman & Hitt, 1999). At the same time, through lobbying as well as through campaign contributions, firms can avoid politicians' deeper involvement in the firm. In contrast, although political connections can also be a valuable source of information exchange between firms and policymakers (Faccio, 2006; Hillman, Zardkoohi, & Bierman, 1999), they create greater levels of dependency on the government which in turn may

constrain firms' decision making (Okhmatovskiy, 2010). Overall, we suggest that CPA (*vis-à-vis* political connections) allow firms to make internationalisation decisions more independently, while at the same time providing them with political knowledge and capabilities that facilitate internationalisation.

Prior studies have identified country-, industry- and firm-level factors that moderate the relationship between firms' domestic political connections and their internationalisation. These include, for instance, the degree of institutional development (Ma, Ding, & Yuan, 2016), industry regulation (Holburn & Bergh, 2008) and firms' innovative capabilities (Chen, et al., 2018). Of these, research on the firm-level contextual factors affecting the consequences of CPA has been limited (Cao, Fernando, Tripathy, & Upadhyay, 2018). Based on RDT (Pfeffer & Salancik, 2003), we suggest that *international experience* and *product diversification* are likely to moderate the relationship between different forms of CPA and internationalisation. Both factors dilute the levels of dependence over access to crucial resources that may be constrained by political actors, while also generating additional or alternative sources of political knowledge and other resources that may improve the effectiveness of firms' CPA (Dorobantu, Kaul, & Zelner, 2017; Holburn & Zelner, 2010).

Overall, based on the above, our key research questions are: (1) *How do domestic CPA differ from domestic political connections in their effect on firms' internationalisation?*; and (2) *To what extent do product diversification and international experience moderate the relationship between different forms of domestic CPA and political connections and internationalisation?*

We contribute to literature by disentangling the effects of firms' domestic CPA and political connections on their internationalisation. Our findings are consistent with prior studies that domestic political connections negatively affect internationalisation (Du & Luo,

2016; Fernández-Méndez, et al., 2018). Additionally, however, we find that domestic lobbying and campaign contributions have a positive effect on internationalisation. We also contribute to the understanding that firms may engage with policymakers through multiple ways (Schuler, Rehbein, & Cramer, 2002) and these may have different effects on their internationalisation. Furthermore, by focusing on US retail MNEs in particular, we also contribute to the literature on the retail sector, whose internationalisation process remains a complex and relatively less-understood phenomenon. Whereas prior studies on firms' political activities have focussed on highly-regulated sectors such as pharmaceuticals, energy, and utilities (Grier, Munger, & Roberts, 1994; Holburn & Zelner, 2010; Mitchell, Hansen, & Jepsen, 1997), the consequences of CPA and political connections are less-researched in the retail industry.

2. Literature Review and Hypotheses Development

Firms are increasingly required to assess the non-market (i.e. social and political) implications of their market strategies (Doh, Lawton, & Rajwani, 2012; Mellahi, Frynas, Sun, & Siegel, 2016). Therefore, political knowledge and capabilities developed by firms via their non-market strategies are regarded as important 'firm-specific advantages' (Boddeyn & Buckley, 2017; Buckley & Casson, 1998) that can be leveraged during internationalisation (Cuervo-Cazurra & Genc, 2011; Holburn & Zelner, 2010).

Importantly, the international expansion by large firms generates non-market issues not only in the *host* market where the firm seeks to expand (e.g. potential loss of business to smaller firms caused by foreign competition), but also at *home* (e.g. potential loss of employment). Surprisingly, most research on the use of CPA in IB has focussed on the 'host' countries in which the MNEs operate and adopt these strategies (see for example, Hillman, 2003; Klopff & Nell, 2018; Puck, Rogers, & Mohr, 2013; Shirodkar, Konara, & McGuire, 2017). However, recent research has begun to study the effects of firms' domestic (or

‘home’) political engagements on their internationalisation (Albino-Pimentel, et al., 2018; Chen, et al., 2018; Deng, et al., 2018; Fernández-Méndez, et al., 2018; Yan, et al., 2018). Yet, prior studies investigating how these domestic political engagements have an impact on internationalisation have focussed largely on firms’ political connections (Albino-Pimentel, et al., 2018; Chen, et al., 2018; Deng, et al., 2018; Du & Luo, 2016; Fernández-Méndez, et al., 2018). Prior studies in this context have also generated mixed findings, and arguably, the institutional context (such as emerging vs. developed) plays a key role in determining this relationship (Özcan & Gündüz, 2015). Studies on firms based in developed countries generally suggest that domestic political connections negatively affect internationalisation. For instance, Fernández-Méndez, et al. (2018), using a sample of Spanish firms find that the knowledge and benefits associated with domestic political connections is more advantageous for expanding within their home market (*vis-à-vis* foreign markets). Due to this, they find firms’ domestic political connections to result in fewer foreign market entries (Fernández-Méndez, et al., 2018). Likewise, Albino-Pimentel et al (2018), drawing on a French sample find that firms with domestic political connections are less likely to make foreign acquisitions relative to their less-connected counterparts.

In contrast, studies in emerging markets have provided mixed findings on the relationship between domestic political connections and internationalisation. For example, Cui and Jiang (2012) suggest Chinese firms’ political connections enable them to benefit from preferential access to state – controlled resources, financial aid and special incentives to facilitate their international expansion. However, Du and Luo (2016), alternatively argue that political connections provide Chinese firms with equally similar incentives to expand within the home market, and find politically connected firms to invest overseas to a lower extent (relative to home). Recent research also suggests that the heterogeneity of political connections affects the relationship between domestic political connections and firms’

international expansion. For instance, Deng et al (2018) find that when political connections are ‘ascribed’ – such as among state-owned enterprises (SOEs), the propensity to invest overseas is lower (relative to domestic investment). In contrast, if firms have ‘acquired’ these connections – such as among private firms with politically connected boards – these firms are more likely to invest overseas. Deng et al (2018) attribute this to differences in firms’ ability to manage their resource dependence (Pfeffer & Salancik, 2003) associated with different types of connections. Deng et al (2018) suggest that among SOEs (with ascribed connections), the propensity to undertake risky international ventures is constrained by various social and political stakeholders connected to the SOEs, whereas such constraints are weaker among private firms with acquired connections.

Overall, only two recent studies (Albino-Pimentel, et al., 2018; Fernández-Méndez, et al., 2018) have examined how domestic political connections affect internationalisation of developed country firms, and both have found a negative effect. However, although lobbying and campaign contributions are important forms of CPA in institutionally developed countries, there has been no research into how domestic CPA (expressed in the form of lobbying and campaign contributions) affect firm internationalisation.

Despite focussing on specific institutional contexts, extant research on the effect of domestic CPA on the internationalisation of emerging market firms provide a sound theoretical basis for teasing out firm-level contextual factors that could moderate the relationship between CPA / political connections and internationalisation. In particular, these studies point highlight the moderating role of the resource dependence (Pfeffer & Salancik, 2003) engendered by different forms of CPA and political connections (Deng, et al., 2018; Du & Luo, 2016). Based on this reasoning, we expect firms’ dependence to vary with their international experience and product diversification. This is mainly driven by two reasons; first, international experience can act as an important facilitator of firms’ internationalisation

process, thus substituting or weakening the potentially positive effect of CPA on internationalisation (Delios & Henisz, 2003b; Holburn & Zelner, 2010; Mohr & Batsakis, 2014); second, product diversification is known to be reducing firms' dependence on specific political actors (Pfeffer & Salancik, 2003), which in turn can allow firms to broaden their political knowledge base (Dorobantu, et al., 2017), thus adding more value to the impact of CPA on firm internationalisation.

2.1. Domestic CPA, Political Connections and Internationalisation

RDT (Pfeffer & Salancik, 2003) provides an important lens for the analysis of business-government relations (Ahammad, Tarba, Frynas, & Scola, 2017; Hillman, Withers, & Collins, 2009). Different forms of CPA vary in the degree to which they allow firms to manage their external resource dependence. We suggest that lobbying and campaign contribution allow for the reduction of resource dependence without creating "new" dependence on specific domestic politicians. As a result, we expect firms' CPA activities (i.e., lobbying and campaign contributions) to be positively, and domestic political connections to be negatively associated with firm internationalisation.

Firms develop political connections in a number of ways. One way is by supporting company officials to run for government office or in other political positions, so that such officials can, in turn, provide a 'personal service' to firms (Hillman, et al., 1999). Another way is by appointing (ex) politicians to corporate boards or to senior management positions to absorb external resource constraints (Lester, Hillman, Zardkoohi, & Cannella Jr, 2008). Political connections enable firms to both effectively scan and sense risks and changes in the political environment surrounding them, as well as to benefit from favourable policies and continued contracts to government (e.g. in the defence sector) (Goldman, Rocholl, & So, 2008). Ex-politicians, despite no longer serving in political office, can provide valuable counsel, advice and expertise, as well as 'access' to currently serving politicians through their

networks (Lester, et al., 2008). Hillman et al (1999), for example, discuss various examples where companies have enjoyed explicit favourable policies and benefits through the use of political connections.

Domestic politicians benefit in two ways from such connections: (1) from the political aspects of the firm's local investment (e.g. employment creation, tax revenues in the region), and (2) from the improved financial performance of the firm itself, to which they are connected (Hillman, 2005). As such, the firms' needs of accessing local resources and of investing in local markets are complemented by the connected domestic politicians' needs of improving their 'political' performance (Luo, 2001). When firms decide to expand into foreign markets, these local privileges are jeopardised as the firm is no longer seen to contribute to local economic development via job creation, employee training and technology (or skills) transfer (Luo, 2001). Therefore, foreign expansion is likely to be seen by domestically connected policymakers to potentially impact the home economy negatively, as well as to impact their political performance negatively (Mariotti, Mutinelli, & Piscitello, 2003). Due to this, when politicians are directly connected to the firm, they would perceive internationalisation as a deterrent to achieving their domestic political objectives, especially when avenues to expand within the home market can be created by them. As such, they are likely to use their power (both within the firm as well as externally) to encourage the firm to invest locally, constraining their internationalisation prospects.

In contrast, CPA (lobbying and campaign contributions) allow firms to access a wider variety of policymakers (Hadjikhani, Leite, & Pahlberg, 2019; Hillman & Hitt, 1999). Lobbying is regarded as an 'information-based' CPA, and firms lobby policymakers by directly contacting them on related issues, as well as through intermediaries such as lobby firms, public affairs consultants, trade associations and think tanks (Tyllström & Murray, 2019). Campaign contributions are used to support political parties during election cycles;

and these are raised by companies' senior managers (albeit being associated to the firm) (Hillman & Hitt, 1999). As different managers within the firm may have diverging political ideologies, multiple political parties and candidates receive contributions from managers (Aggarwal, Meschke, & Wang, 2012). Lobbying and campaign contributions will thus reduce firms' dependence on specific political actors. Therefore, these CPA techniques increase firms' scope to contact politicians in a 'transactional' manner (Hillman & Hitt, 1999), reducing politicians' direct involvement in firms' decision-making, and enabling firms to make strategic decisions more autonomously. Additionally, through CPA, firms are endowed with broader knowledge of policy issues and first-hand or insider information about potential new trade agreements or changes to existing trade agreements with other countries (Holburn & Zelner, 2010; Lenway & Rehbein, 1991; Rehbein & Schuler, 1999). Such political knowledge is conducive for internationalisation.

In contrast, the knowledge and insights provided by political connections is more likely to be restricted to the domestic (or even subnational) political context (Fernández-Méndez, et al., 2018). Firms through their CPA, rather than connections, could therefore potentially leverage such wider knowledge and information and capitalise on it more efficiently, e.g. by making international market entries even before the announcement of new policies and benefiting from potential first-mover advantages (Frynas, et al., 2006). Therefore, we expect that greater domestic CPA (*vis-à-vis* political connections) improve firms' political knowledge needed in seeking internationalisation and in retaining greater autonomy of making internationalisation decisions at the same time. Based on these arguments, we suggest that:

Hypothesis 1a: Domestic CPA will be positively related to retail firms' internationalisation.

Hypothesis 1b: Domestic political connections will be negatively related to retail firms' internationalisation.

2.2. The moderating effect of international experience

We expect firms' international experience - i.e., the "experience that firms accrue from operating internationally" (Clarke, Tamaschke, & Liesch, 2013, p. 265) - to reduce the core (positive and negative respectively) effect of both domestic CPA and political connections on internationalisation. This is because, firstly, long-standing international experience, developed via sequential market entries and from firms' joint-venture partners in host countries, facilitates greater learning about non-domestic contexts and enhances firms' overall political knowledge base (Delios & Henisz, 2003b; Holburn & Zelner, 2010; Mohr & Batsakis, 2014). Greater international experience inadvertently exposes firms to more politicians, regulatory officials and a variety of stakeholders including international non-governmental organisations and trade policymakers situated in both home and host countries (Blumentritt & Nigh, 2002; Blumentritt & Rehbein, 2008; Bonardi & Bergh, 2015; Chen, et al., 2018), and we expect this to substitute for the effects of domestic CPA and political connections. Although international experience can potentially complement firms' political knowledge developed at home through CPA and connections, given the differences in the political environment between home and host countries and the high costs of developing CPA and connections, we expect the utility of domestic CPA and connections to facilitate further internationalisation to become lesser in comparison to that derived from international experience. Due to these reasons, firms are likely to rely more on the political knowledge generated from their international experience at the expense of that generated from domestic CPA.

Second, greater international experience of firms reduces the bargaining power held by politicians connected to the firm in its home country, because the firm can rely on a

variety of international markets to achieve its performance objectives, rather than being constrained to achieving such outcomes in the home market. At the same time, internationally experienced firms are more likely to have developed a greater network of international contacts (Turner & Binder, 2009), which can prove to be more beneficial when deciding on a subsequent foreign market entry. Firm international experience is not only accrued from the long presence of a firm in foreign markets, but also from the experience its politically-connected directors might have acquired, thus enriching a firm's social capital internationally (Fernández-Méndez et al., 2018). Based on this, we hypothesise that:

Hypothesis 2a: International experience will weaken the positive relationship between domestic CPA and retail firms' internationalisation.

Hypothesis 2b: International experience will weaken the negative relationship between domestic political connections and retail firms' internationalisation.

2.3. The moderating effect of product diversification

Prior research conducted on the basis of RDT suggests that greater product diversification reduces firms' dependence on specific political actors (Pfeffer & Salancik, 2003) and enables firms to widen their political knowledge base (Dorobantu, et al., 2017). Based on this, we argue that greater product diversification enhances the positive relationship between firms' domestic CPA and internationalisation, and reduces the negative effect between political connections and internationalisation.

Firstly, in relation to CPA, diversified firms that are engaged in selling more than one type of product (e.g. groceries as well as apparel in the case of retailers), must gather wider political knowledge to at least comply with (if not influence) policy issues pertaining to their various product lines, in comparison to undiversified firms selling single product-lines (e.g. apparel only). The issues faced by less-diversified firms, in contrast, are more focussed and require firms to confine their interactions with a limited number of policymakers. This wider

CPA-derived knowledge among product-diversified firms enhances their internationalisation opportunities (Dorobantu, et al., 2017). Consider for example, the case of McKesson, a large US-based healthcare sector firm. McKesson spends heavily on CPA and is prone to local regulatory issues such as drug monitoring and distribution of pharmaceuticals, which are highly localized (FEC, 2016). Arguably, whilst its CPA enable McKesson to effectively lobby these issues and penetrate further within the US, its internationalisation is only limited to Canada and Europe. In contrast, Wal-Mart, which sells a larger variety of product-lines, also lobbies on a broader range of issues such as trade, taxation, food safety, agriculture and finance (FEC, 2016), and the political knowledge developed in the process arguably enables it to internationalise to a larger number of countries. Lesser product diversification, thus, limits firms' capabilities to both – transfer such capabilities overseas as well as gain broader political knowledge from a greater variety of political actors. We therefore expect that with greater levels of product diversification, the positive effect of firms' domestic CPA (i.e., lobbying and campaign contributions) on internationalisation would be further enhanced.

Second, with regards to political connections, in a similar vein as our argument for the moderating effect of international experience, among less-diversified firms, it becomes easier for connected politicians to control or restrict access to the specific local resources required by firms for producing or selling these products. However, when firms are product-diversified, politicians connected to the firm assume lesser bargaining power (Meznar & Nigh, 1995), because diversified firms can rely on alternative products and markets where the connected politician does not hold power. Due to this, we expect product-diversified firms to be relatively lesser constrained by their connected politicians, thus, enabling them more autonomously to invest in more attractive foreign markets (*vis-à-vis* the home market). Based on this, we suggest that:

Hypothesis 3a: Product diversification will strengthen the positive relationship between domestic CPA and retail firms' internationalisation.

Hypothesis 3b: Product diversification will weaken the negative relationship between domestic political connections and retail firms' internationalisation.

3. Methodology

3.1. Research setting

We focus on US Multinational Enterprises (MNEs) operating in the retail sector, for two main reasons. First, our research questions relating to the effect of domestic CPA and political connections on internationalisation, and on the moderating effects of product diversification and international experience, demanded that the research context provides a good variance in all of these aspects. The US retail sector provided such a context where although the sector is relatively less regulated, firms are known to lobby on issues such as trade protectionism, supplier networks, taxation, anti-dumping, health and safety, environmental regulations, land planning, and store-opening hours (Alexander, 1990; Vida, Reardon, & Fairhurst, 2000). Also, the retail sector is very diverse, and includes, on the one hand, market-seeking firms such as Wal-Mart and Apple that lobby on the aforesaid issues more, while on the other hand, also includes the retail segments of resource-seeking oil and gas firms such as Chevron and ExxonMobil, and of innovation-focussed pharmaceutical companies such as CVS Healthcare that lobby on a wider variety of issues. Second, the service industry, in general, is gaining interest among international business and strategy scholars, as reportedly, the amount of cross-border investments in this industry has almost doubled in comparison to that in the manufacturing industry over the past decade (UNCTAD, 2014). For the above reasons, we consider the retail sector to be an appropriate setting to test our hypotheses.

3.2. Data Sources and Sample

We focus on the horizontal international expansion of US-based retail-service firms over the 16-year period 2003-2018. The main source for our data is the PlanetRetail database. Recent empirical studies on the internationalisation process in the retail sector have used this database (e.g. Dawson, 2007; Gielens & Dekimpe, 2007; Mohr & Batsakis, 2017; Swoboda, Elsner, & Olejnik, 2015). PlanetRetail sources longitudinal information, such as the number of outlets each retailer has opened in a given country over a given year, on the largest retailers in the world. PlanetRetail provides valuable information for developing measures such as the level of internationalisation, product diversification as well as international experience. Furthermore, in order to complement the PlanetRetail firm-level data, we make use of OSIRIS, a financial database developed by Bureau Van Dijk, as well as data sourced from US Federal Election Commission (FEC). The latter database records the lobbying expenditures made by US firms to lobby Congress and federal agencies in the US, as well as and campaign contributions made to political parties via political action committees (PAC). This data was obtained from the Center for Responsive Politics (www.opensecrets.org) that reports data provided by FEC. Further, we make use of BoardEx, a well-established database with biographical data on the corporate managers and directors of publicly traded firms. Finally, we also access several secondary sources in order to develop country-level measures. Table S1 (see online companion) provides detailed information on the sample characteristics, including amount of lobbying and PAC expenditures, as well as the ratio of politically connected directors of each retailer for the period 2003 – 2018.

--- Insert Table 1 here ---

Our initial sample consisted of 189 international retailers that were included in at least one of the following rankings and had international operations: (i) PlanetRetail's Top Global 250 Retailers (2012); (ii) Deloitte's Top 250 Global Retailers (2011); and (iii) United Nations Conference for Trade and Development's (UNCTAD's) 2012 ranking of the top 100

transnational corporations. Out of these 189 retail firms, 47 originate in the US. For these retailers, we collected firm-level data for a 16-year period (2003-2018) from the PlanetRetail, OSIRIS, opensecrets.org and BoardEx databases. Due to missing data, we ended up with an unbalanced panel dataset consisting of 40 retail firms and a total of 446 firm/year observations for the examination of the contingent effect of CPA (lobbying and PAC) on internationalisation; and of 38 retail firms and a total of 265 firm/year observations for the examination of the contingent effect of political connections on internationalisation, respectively. Since our study considers both domestic CPA and political connections simultaneously, we test the respective hypotheses when both independent variables are entered in the same model. This means that the empirical analysis is based on 38 retail firms and a total of 265 firm/year observations.

3.3. Measures

Our dependent variable is internationalisation. In line with other studies (Chan Kim, Hwang, & Burgers, 1989; Hitt, Hoskisson, & Kim, 1997) we measure this using Jacquemin and Berry's (1979) entropy measure of diversification. This entropy measure is calculated as:

$\sum P_i \ln \left(\frac{1}{P_i} \right)$, where P_i is the percentage of sales in country i ; and $\ln \left(\frac{1}{P_i} \right)$ is the particular weight of each country.

The advantage of using this measure instead of more crude measures of internationalisation, such as the ratio of foreign sales to total sales, is that it captures both the number of geographic segments in which a firm operates and the relative importance in sales contributed by each geographic segment. Two seminal studies argue in favour of the adoption of such a measure. First, Hitt et al. (1997) in their paper argue that the entropy index is a more appropriate measure of internationalisation as it measures the extent of diversification across foreign market areas and their distribution globally. In the same vein, Grant (1987) has

stressed the importance of using measures of internationalisation which reflect both the relative size and strategic importance of foreign and domestic operations.

In order to measure the extent of CPA, we calculate the combined ratio of a firm's lobbying expenditures and contributions to political action committees PAC to its total assets (*CPA intensity*). Lobbying is regarded as the most important way of influencing policymaking in the US, and has been recognised as an important information-based political strategy used by firms (De Figueiredo & Richter, 2013; Schuler, et al., 2002). Campaign contributions are measured by a firm's overall contributions to PAC, as this is also considered a proxy for 'financial incentive' CPA and refers to complementary tactics firms engage in to directly gain access to policy-making (Hillman & Hitt, 1999; Schuler, et al., 2002).

In order to measure the extent of *political connections* of each firm we draw on prior studies (Fernández-Méndez, et al., 2018; Kostovetsky, 2015) and define politically connected directors as former members of the Senate and House of Representatives, former White House officials and aides, former heads of federal executive departments and cabinet-level agencies, former state governors, and former US ambassadors to other nations. We measure political connections by the ratio of firm's directors who are politically connected to the total number of directors sitting on the board in that year.

For measuring our first moderating variable, *product diversification*, we follow prior research studies (Li & Tang, 2010; Qian, 2002; Wiersema & Bowen, 2008) and use Jacquemin and Berry's (1979) entropy measure of product diversification. This entropy measure provides a reliable index of the level of diversity in a retailer's product lines. Specifically, the entropy measure is calculated as:

$\sum P_i \ln\left(\frac{1}{P_i}\right)$, where P_i denotes the percentage of sales in product category i ; and, $\ln\left(\frac{1}{P_i}\right)$ provides a weight for each product category.

The product categorization scheme we adopt is sourced from the PlanetRetail database. Under this categorization, there are eight potential product lines for each retailer (grocery; clothing and footwear; electricals and office; food service; health and beauty; home, garden, auto; leisure and entertainment; other). According to this information, we are able to derive the share of a retailer's total sales for each product line and accordingly measure each retailer's level of product diversification.

Our second moderating variable, *international experience*, is measured as the firm's cumulative number of years in all foreign markets of operation since the firm's first international expansion (Mohr, Fastoso, Wang, & Shirodkar, 2014). This measure assumes that a long history of foreign operations will have facilitated firms to increase their experiential knowledge (Clarke, Tamaschke, & Liesch, 2013).

In addition to the dependent and independent variables, our study utilizes a number of firm- and country-level control variables. In terms of the former, our study incorporates traditionally important control variables that are considered to have an effect on the internationalisation of retail firms. Specifically, we include *age*, measured as the year of observation minus the firm's year of inception. To measure the *size* of the firm, we use the natural logarithm of the firm's total sales (measured in thousands of US dollars). Further, we incorporate *cash ratio* which is measured as the ratio of cash and cash equivalent to total assets (e.g. Bates, Kahle, & Stulz, 2009) in order to control for a retailer's access to tangible assets. Apart from the aforementioned firm-level variables, we also included a variable to account for the dynamics of the home economy. Specifically, we included the *GDP growth rate* in the US as a control variable as the conditions in the home market can have

implications for internationalisation activities. Finally, we include a sector-related dummy variable (*Grocery*) to account for the most popular retail subsector in our sample. Table 1 provides information with regard to variable definitions and exact data sources.

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3.4. Estimation method

The current setup of the dataset (i.e. panel formation) suggests that the employment of an ordinary least squares model could potentially lead to biased estimates mainly resulting from unobserved heterogeneity (Wooldridge, 2010), as well as potential heteroskedasticity between panels and autocorrelation within panels. A widely accepted econometric approach to deal with the aforementioned concerns is the adoption of a generalized least squares (GLS) method. The GLS estimator deals effectively with cross-sectional heteroskedasticity and within-unit serial correlation (Greene, 2003). The employment of the Hausman test indicated that non-significant correlations exist between our independent variables and the firm-level fixed effects. Accordingly, we opted for the GLS random-effects estimator.

4. Results

Table 2 provides information on the descriptive statistics and pairwise correlations of the variables. Table 3 presents the results obtained from the GLS random-effects regressions with regard to the contingent effect of CPA intensity and political connections on firm internationalisation.

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Hypothesis 1a predicted a positive relationship between domestic CPA and internationalisation. The results from the GLS estimator (Table 3, Model 3) show a positive and statistically significant coefficient for CPA intensity ($\beta = 0.0357$, $p < 0.01$). We thus find

support for hypothesis 1a. Hypothesis 1b predicted that domestic political connections will have a negative effect on internationalisation. The results from the GLS estimator (Table 3, Model 3) show a negative and statistically significant coefficient for political connections ($\beta = -0.00216$, $p < 0.10$), thus confirming hypothesis 1b.

Hypothesis 2a predicted that international experience will weaken the positive relationship between domestic CPA and internationalisation. The GLS estimates related to the moderating effect of international experience on the relationship between CPA intensity and internationalisation (Table 3, Model 4) show that the coefficient of the interaction term is negative and statistically significant, thus providing support for this hypothesis ($\beta = -7.13e-05$, $p < 0.01$). Figure 1 presents the graphic illustration of the moderating effect of international experience on the marginal effect of CPA intensity on internationalisation. In regards to hypothesis 2b and the argument towards a weakening moderating effect of international experience on the negative relationship between domestic political connections and internationalisation (Table 3, Model 6), the results do not provide support for this conjecture since the coefficient of the interaction term is not statistically significant ($\beta = -5.72e-06$, $p = \text{n.s.}$). We thus fail to support this hypothesis.

Hypothesis 3a suggested that product diversification will positively moderate the relationship between domestic CPA and internationalisation. The results related to the moderating effect of product diversification on the relationship between CPA intensity and internationalisation (Table 3, Model 5) do not provide support for this hypothesis, since the coefficient is not statistically significant ($\beta = -0.0783$, $p = \text{n.s.}$). As regards to hypothesis 3b, we suggested that product diversification will weaken the negative relationship between domestic political connections and internationalisation. In line with our hypothesis, the interaction term is positive (Table 3, Model 7) and statistically significant ($\beta = 0.0253$, $p <$

0.01). Hypothesis 3b is thus supported. Figure 2 depicts the moderating effect of product diversification on the marginal effect of political connections on internationalisation.

--- Insert Figures 1 & 2 here ---

4.1. Robustness tests

In an attempt to provide an even clearer picture about the validity of our main findings, we proceed to a number of robustness tests. First, we test the main hypotheses (i.e., the effect of domestic CPA intensity and political connections on firm internationalisation) using an alternative measure of internationalisation. Although there are advantages of using an entropy measure of diversification to capture a firm's international activity (as explained in the methodology section), the incorporation of an additional, widely adopted measure of internationalisation, can provide further robustness to our main findings. For that reason, we make use of the percentage of a firm's foreign sales to its total sales. The results reported in Table S2 of the supplementary file (online companion) show that the results are generally consistent.

Second, to provide a more nuanced depiction of the effect of domestic CPA intensity, we broke down this variable to two variables; Lobbying intensity (i.e., the percentage of a firm's lobbying expenditures to its total assets) and PAC intensity (i.e., the percentage of a firm's PAC contributions to its total assets). The results (Table S3, online companion) show that the coefficients of both variables are positive and statistically significant, while the moderating effect of international experience on the relationship between Lobbying intensity as well as PAC intensity on firm internationalisation is negative and statistically significant. Again, these estimates are consistent with those of the main analysis.

4.2. Post-hoc analysis

Despite the fact that our study is focused on a relatively homogenous sector (i.e., retail sector), there is still the possibility that CPA and political connections are treated differently across different segments of the retail sector. As an example, firms doing business in food and grocery retailing might be forced to establish CPA and political connections by different triggering mechanisms as compared to retailers in the apparel and health and beauty retail business. Due to the potential heterogeneity in terms of what drives retail firms in being more or less committed to CPA and the establishment of political connections, we decided to proceed to a post-hoc analysis. In this post-hoc (sensitivity) analysis we split our sample to food/grocery retailers and non-food/grocery retailers. We consider that retail firms whose primary business activity is to sell food, edible groceries and beverages will be likely to invest more heavily in CPA and establish more political connections (as compared to retail firms selling apparel, health and beauty, automotive products), since these retail segments are more likely to be exposed to public criticism on issues, such as obesity, inappropriate food standards, and unhealthy diet, among others (Mialon, Swinburn, Allender, & Sacks, 2016; Mialon, Swinburn, & Sacks, 2015). An analysis of the average values of CPA and political connections between food/grocery and non-food/grocery retailers provides support for this conjecture. In fact, the mean value of CPA intensity for food/grocery retailers is 1.17, while it is substantially lower for non-food/grocery retailers (0.06). Similarly, the mean value of political connections is higher for food/grocery retailers (12.12%) compared to non-food/grocery retailers (7.83%). The aforementioned numbers confirm the potential heterogeneity across the retail sector, as far as CPA intensity and political connections are concerned.

Therefore, we proceed to the re-estimation of our main models focusing on two different subsamples (i.e., food/grocery retailers vs non-food/grocery retailers). The estimated results for the food/grocery retailers subsample (see Table S4, online companion) show a

positive and statistically significant effect of CPA intensity on internationalisation ($\beta = 0.0394$, $p < 0.01$). With regard to the effect of political connections on internationalisation, consistent with the results of the full sample, we find a negative and statistically significant effect ($\beta = -0.00533$, $p < 0.10$). With regard to the non-food/grocery retailers subsample (see Table S5, online companion), the estimated results somewhat differ to those of the full sample as the CPA intensity is not significantly related to internationalisation. However, the estimates on the effect of political connections are aligned with those of the full sample, as a negative and statistically significant effect of political connections on internationalisation is found ($\beta = -0.00462$, $p < 0.01$).

With regard to the moderating effects, the estimates for the food/grocery retailers subsample (Table S4, online companion) provide support for the moderating effect of international experience, since the interaction effect of CPA intensity and international experience is negative and statistically significant ($\beta = -0.000170$, $p < 0.01$). However, the estimates for the non-food/grocery retailers subsample (Table S5, online companion) do provide support for the moderating effect of international experience. Finally, with regard to the moderating effects of international experience and product diversification on the relationship between political connections on internationalisation, the estimated results provide support only for the moderating effect of product diversification for the non-food/grocery retailers subsample ($\beta = 0.0218$, $p < 0.01$).

The results of this post-hoc analysis generally support the view that the effects of CPA intensity and political connections on firm internationalisation are mostly consistent across the retail sector. However, when it comes to assessing the role of moderating effects, these effects are relatively more robust in the context of non-food/grocery retail firms.

5. Discussion

5.1. Theoretical implications

Overall, our results provide either full or partial support for the majority of our hypotheses on the different effect of firms' domestic CPA and political connections on internationalisation, and on the moderating effects of product diversification and international experience on this relationship.

First, in hypothesis 1a, we argued that domestic CPA enable firms to gain crucial political knowledge and capabilities, without creating new dependencies on political actors; and that this would have a positive impact on their internationalisation. Hypothesis 1b argued for the (contrasting) negative effect of home-based political connections on internationalisation, consistent with the arguments and findings of recent studies (Albino-Pimentel, et al., 2018; Fernández-Méndez, et al., 2018). Our results support both hypotheses 1a and 1b. The fact that our study has focused on two different forms of CPA (lobbying and campaign contributions) as well as on this of political connections allow us to infer, to a greater extent, safe and robust conclusions with regard to the effect of firms' overall domestic political activity on their internationalisation. Although it is known that large and well-resourced firms use multiple political strategies (Schuler, et al., 2002), so far, no other study has attempted to examine firms' domestic CPA (expressed in the form of lobbying and campaign contributions) and political connections simultaneously. Our post-hoc analysis further confirms the differential effect between lobbying and PAC contributions. Specifically, instead of using CPA intensity as a unified variable we distinguished between lobbying intensity and PAC intensity. The results of this robustness test showed that both variables are positively related to firm internationalisation, while political connections are still negatively associated with firm internationalisation.

Our focus on examining lobbying – an ‘information-based’ mechanism of political strategy, PAC contributions – a ‘financial incentive’ political strategy (Hillman & Hitt, 1999), as well as political connections, has allowed us to test and confirm that these three forms of domestic political activity, have a contrasting impact on firm internationalisation. Since lobbying allows firms to connect with a wider variety of nonmarket actors, it can provide firms with wider knowledge of policy issues (Holburn & Zelner, 2010; Oliver & Holzinger, 2008), which, we argue to facilitate internationalisation, rather than focussed political connections that not only help absorb external constraints, but also constrain the strategic options for firms (Okhmatovskiy, 2010). Our findings thus complement extant research on MNEs’ CPA by reconciling seemingly contrasting findings of past studies.

Second, with regard to hypotheses 2a and 2b on the moderating effect of international experience, we argued that international experience acts as a substitute for CPA (hypothesis 2a) and political connections (hypothesis 2b) developed at home, thus weakening both the effect of domestic political capabilities (gained via lobbying and campaign contributions), but also the dependence constraints posed by political connections on internationalisation. Our results support hypothesis 2a. These findings enhance our understanding of the role of firms’ international experience as a firm-level contextual factor affecting the consequences of CPA (Cao, et al., 2018). International experience involves learning about host political contexts (Holburn & Zelner, 2010). Because engaging in CPA and connections is costly, international experience provides substitute resources for firms to learn both, how to deal with political hazards and risks in a host country via sequential entry (Delios & Henisz, 2003a, 2003b; Holburn & Zelner, 2010), and how to transfer these host learning-based advantages to further internationalize, reducing the need to develop and transfer home-based political advantages to further internationalisation. While we also argued that international experience weakens the negative effect of political connections on internationalisation (hypothesis 2b), our empirical

findings do not support this effect. We had argued that international experience reduces the dependency (Pfeffer & Salancik, 2003) on domestic political connections and allows firms to internationalise more autonomously. An alternative explanation for our unexpected finding, i.e. lack of support to our hypothesis 2b, could be related to additional dependencies and potentially reduced levels of learning arising from firms' long-standing investments in a few host countries that may complement the dependency effect of home-based political connections and thus limit the knowledge that may be needed to enter more international markets (Åkerman, 2015). However, this warrants further research.

Finally, with regard to the moderating effect of product diversification (hypothesis 3a), we argued that product diversification positively moderates the effect of domestic CPA on internationalisation, due to the additional resources, capabilities and bargaining power that product diversification brings (Dorobantu, et al., 2017), thus enhancing the core effect of the political knowledge and other opportunities generated through CPA for internationalisation. Our results, however, do not support this conjecture. The lack of support can be potentially attributed to the greater scope of conflicts among diversified business units to share resources and knowledge when engaging in CPA (Shaffer & Hillman, 2000).

In our hypothesis 3b, we argued that product diversification dilutes the dependence on domestic political connections that constrains firms to penetrate the home market relative to expanding to foreign markets. Our empirical results support this hypothesis. Our logic behind hypothesis 3b was based on RDT and specifically on the fact that with greater product diversification, firms become less dependent on specific political actors (Pfeffer & Salancik, 2003). In general, our findings provide a more holistic view of the impact of firm-level factors - international experience and product diversification on the relationship between domestic CPA and political connections on internationalisation.

5.2. Managerial Relevance

Our findings provide some important implications for managers, especially of US-based retail-service firms, on which our empirical analysis was based. Retail service firms are mainly engaged in selling finished products to end customers and engage in market-seeking foreign investment. In the US retail-services industry, despite high fragmentation, lobbying expenditures are substantial. The industry reported a total of \$58.74 million in lobbying expenditures in 2015, which is about 5% of the total lobbying expenditure (\$3.2 billion) reported by all firms operating in the US; yet, lobbying expenditure in this industry has increased five-folds since 2000 (FEC, 2016). Table S1 (see online companion) provides a detailed account of the average lobbying expenditures, PAC contributions and proportion of politically connected boards in this industry. These activities enable retailers to better understand the social and political externalities of locating new stores or outlets – e.g. the creation of new employment, enhanced taxation revenues, impact on small businesses and workplace laws (Bonardi & Bergh, 2015). Other indirect issues faced by retail-service firms also stem from changes in external trade policy and international development issues that may impact their value chains and where such large firms often take a lead (or buyer) role. Health issues also form an important policy aspect among food retailers. McDonalds and other fast-food retailers, for instance, often face opposition from health regulators to assess the impact of their operations on obesity (Baron, 2003). When retail firms attempt to internationalise, this raises non-market issues both in the home country context where stakeholders may view internationalisation as a direct potential loss of local employment and taxation revenues, as well as in host countries where stakeholders may argue that this may negatively impact local businesses and health and environmental standards.

Our findings imply that through domestic lobbying and campaign contributions as forms of CPA, retail-sector firms can better achieve their internationalisation motives than

through domestic political connections. Furthermore, our post-hoc analysis suggests that among food and grocery retailers (such as McDonalds, Wal-Mart, Yum! Brands and Dominos), both CPA and political connections have an impact on internationalisation. In contrast, among non-food retailers (such as Gap and Toys 'R' Us), only political connections are significantly related to internationalisation. These findings imply that, in general, informational lobbying allows (especially, food and grocery) retail-service firms to more effectively manage the expectations of external domestic stakeholders while maintaining autonomy to make internationalisation decisions at the same time. In contrast, political connections constrain all retail firms' international expansion. Firms' informational lobbying efforts are likely to be viewed as relatively responsible actions by external stakeholders, because such type of CPA involves firms to work with multiple stakeholders and to strike a balance between stakeholder perspectives and their own interests, as compared to the pervasive use of campaign contributions and political connections (Hamilton & Hoch, 1997). At the same time, informational lobbying is seen as an important and legitimate way for firms to participate in the process of policymaking in most democratic countries (Campos & Giovannoni, 2007). In contrast, in many host countries, providing contributions to political parties and developing political connections may also be linked to bribery, and may impact firms' reputation negatively (Liedong, 2020). As such, we emphasise that, for firms interested in internationalisation, informational lobbying enables them to benefit from the influence and informational advantages of CPA, while at the same time, safeguarding their reputation and legitimacy, as compared to the use of political connections.

Our findings also imply that among retail-sector firms with greater international experience, the core positive effect of domestic CPA on internationalisation is reduced. Engaging in CPA is a costly process, and this finding implies that internationally experienced firms can utilise political knowledge from their foreign subsidiary levels (i.e. in host

locations), which could reduce the utility of their domestic CPA in facilitating internationalisation. Finally, we also find product diversification to reduce the negative effects of political connections on further internationalisation. Again, this is a particularly useful finding for US retail-service firms with highly connected boards. Diversifying into other product segments can help reduce the dependency constraints posed by political connections into making further international market entries.

6. Conclusion

Our study was motivated by the question as to whether firms' domestic political activities (lobbying and campaign contributions on the one hand, political connections on the other hand) result in a varying effect on their internationalisation. It is widely known that political activities can provide competitive advantages for firms within their home country (McWilliams, Fleet, & Cory, 2002) as well as reduce risk when internationalising in foreign markets (Puck, et al., 2013). Yet, different political activities such as CPA (i.e., lobbying and campaign contributions) and political connections, have the potential to generate varying consequences, particularly when seeking internationalisation. Prior research recognises that in developed countries, political connections can be more useful in expanding within the home market at the expense of internationalisation (Albino-Pimentel, et al., 2018; Fernández-Méndez, et al., 2018). Our paper argues and finds that, contrary to this effect of political connections, lobbying and PAC contributions enhance the internationalisation prospects of retail firms based in the US. Thus, we disentangle the effects of different types of business-government interaction mechanisms as regards to their effect on internationalisation. We also provide a more nuanced understanding of these relationships by examining the moderating effects of international experience and product diversification – important firm-level contextual factors in the analysis of CPA (i.e., lobbying and campaign contributions) and political connections (Mahmood, Chung, & Mitchell, 2017; Shaffer & Hillman, 2000).

The key limitation our study is that, firstly, although lobbying and PAC are important forms of CPA in the US and dominate political spending by corporations (De Figueiredo & Richter, 2013; Levitt, 2015; Wood, 1985), other tactics include coalition building with other interest groups such as NGOs and media (Hillman, Keim, & Schuler, 2004). Due to our data limitations, we are not able to account for such tactics used in corporate political activity. We suggest that future research can include such forms of political activity in further investigating the link between CPA and internationalisation. We also believe that further research on how different CPA techniques work in relation to the internationalisation prospects of firms can benefit from qualitative research. This would be particularly important to understand how firms work with their connections and lobby groups to gain insider information that would benefit them to seek foreign as well as domestic markets. Further, our data on political connections does not enable us to determine the heterogeneity associated with political connections that can have differential impacts on internationalisation as found in some recent studies (Albino-Pimentel, et al., 2018; Deng, et al., 2018), and therefore, we call on future research to do so, as this can considerably identify deeper nuances of political connections. Similarly, we believe that our sample, limited to the context of retail firms, can be extended in future research to include a wider range of industries.

Second, in relation to our moderating effect of product diversification, we recognise that while we use firms' product sales in various categories (e.g. grocery, apparel, health care etc.) as a measure of product diversity, we do not account for deeper nuances such as the how diversifications are organised in the firm (Shaffer & Hillman, 2000) and the timing of diversification (Eggers, 2012). Despite these limitations, we are confident that our paper provides new insights on the consequences of firms' different political activities.

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TABLES

Table 1. Variables, definitions and sources

Variables	Definition	Source of data
Internationalisation	$\sum P_i \ln \left(\frac{1}{P_i} \right)$, where P_i is the percentage of sales in country i , and $\ln (1/P_i)$ is the particular weight of each country.	PlanetRetail
CPA intensity	Percentage ratio of (home) lobbying expenditures and (home) contributions to political action committees to total assets	opensecrets.org
Political connections	Percentage ratio of (home) politically connected directors to total directors sitting on the board	BoardEx
Product diversification	$\sum P_i \ln \left(\frac{1}{P_i} \right)$, where P_i is the percentage of sales in product category i , and $\ln (1/P_i)$ is the particular weight of each product category.	PlanetRetail
International experience	MNE's cumulative number of years in all foreign markets since its first international expansion	PlanetRetail
Cash ratio	Ratio of cash and cash equivalent over total assets	OSIRIS
Age	Year of observation minus year of inception	OSIRIS
Size	Natural logarithm of MNE's total sales	PlanetRetail
GDP growth rate	GDP growth rate in the US	World Development Indicators
Grocery	Dummy variable taking the value '1' if the focal firm is a grocery retailer and the value '0' otherwise	PlanetRetail

Table 2. Pairwise correlations and descriptive statistics

	1	2	3	4	5	6	7	8	9	10
1 Internationalisation	1.00									
2 CPA intensity	0.33	1.00								
3 Political connections	0.14	0.04	1.00							
4 Product diversification	-0.02	0.01	0.06	1.00						
5 International experience	0.76	0.14	0.15	-0.11	1.00					
6 Cash ratio	0.00	-0.09	0.11	0.06	-0.01	1.00				
7 Age	0.09	0.10	-0.02	0.32	0.05	-0.15	1.00			
8 Size	0.17	0.01	0.25	0.20	0.17	-0.17	-0.14	1.00		
9 GDP growth	-0.06	-0.06	0.03	0.00	0.00	0.06	-0.03	-0.05	1.00	
10 Grocery	0.02	0.18	0.20	-0.15	-0.05	-0.16	0.04	0.07	0.01	1.00
Mean	0.69	0.51	9.44	0.08	105.95	11.82	40.97	23.32	1.90	0.19
Std. Dev.	0.72	2.23	12.55	0.20	189.96	10.57	29.65	1.83	1.58	0.39

Note: Correlation coefficients above |0.09| are significant at the 5% level.

Table 3. Random-effects Generalized Least Squares regression on the contingent effect of Domestic CPA and Domestic Political Connections on Firm Internationalisation

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
CPA intensity	0.0266*** (0.00637)		0.0357*** (0.0108)	0.0560*** (0.0128)	0.0402*** (0.0110)	0.0389*** (0.0111)	0.0335*** (0.0102)
CPA intensity x International experience				-7.13e-05*** (2.43e-05)			
CPA intensity x Product diversification					-0.0783 (0.0399)		
Political connections		-0.00255** (0.00136)	-0.00216* (0.00135)	-0.00241** (0.00132)	-0.00243** (0.00134)	-0.00151 (0.00172)	-0.00679*** (0.00160)
Political connections x International experience						-5.72e-06 (1.20e-05)	
Political connections x Product diversification							0.0253*** (0.00543)
International experience	0.000703*** (0.000105)	0.000919*** (0.000170)	0.000933*** (0.000168)	0.00123*** (0.000197)	0.000896*** (0.000166)	0.00111*** (0.000273)	0.000869*** (0.000158)
Product diversification	0.0311 (0.0828)	0.360** (0.164)	0.339** (0.162)	0.359** (0.159)	0.392** (0.162)	0.313* (0.167)	-0.259 (0.202)
Cash ratio	-0.00780*** (0.00140)	-0.00756*** (0.00173)	-0.00716*** (0.00171)	-0.00708*** (0.00167)	-0.00742*** (0.00169)	-0.00696*** (0.00179)	-0.00492*** (0.00168)
Age	0.00247 (0.00177)	0.00199 (0.00239)	0.00135 (0.00232)	0.000793 (0.00233)	0.00164 (0.00234)	0.00134 (0.00221)	0.00345 (0.00234)
Size	0.0946*** (0.0225)	0.0533 (0.0361)	0.0539 (0.0354)	0.0510 (0.0349)	0.0464 (0.0354)	0.0502 (0.0356)	0.0331 (0.0343)
GDP growth	-0.0201* (0.0109)	-0.0865 (0.0535)	-0.0734 (0.0530)	-0.0706 (0.0517)	-0.0704 (0.0523)	-0.0655 (0.0562)	-0.0400 (0.0504)
Grocery	0.00865 (0.140)	0.00854 (0.164)	-0.00672 (0.159)	-0.0107 (0.159)	-0.0110 (0.160)	-0.00800 (0.151)	0.00242 (0.158)
Constant	-1.579*** (0.534)	-0.635 (0.858)	-0.701 (0.842)	-0.648 (0.829)	-0.539 (0.842)	-0.623 (0.847)	-0.214 (0.815)
R-Square	0.3337	0.2204	0.3270	0.3908	0.3450	0.3671	0.4100
Observations	446	265	265	265	265	265	265
Number of firms	40	38	38	38	38	38	38
Year dummies	YES	YES	YES	YES	YES	YES	YES

Standard errors in parentheses; one-tailed tests for hypothesised variables; two-tailed tests for controls; *** p<0.01, ** p<0.05, * p<0.10

FIGURES

Figure 1. The moderating effect of international experience on the marginal effect of CPA intensity on internationalisation

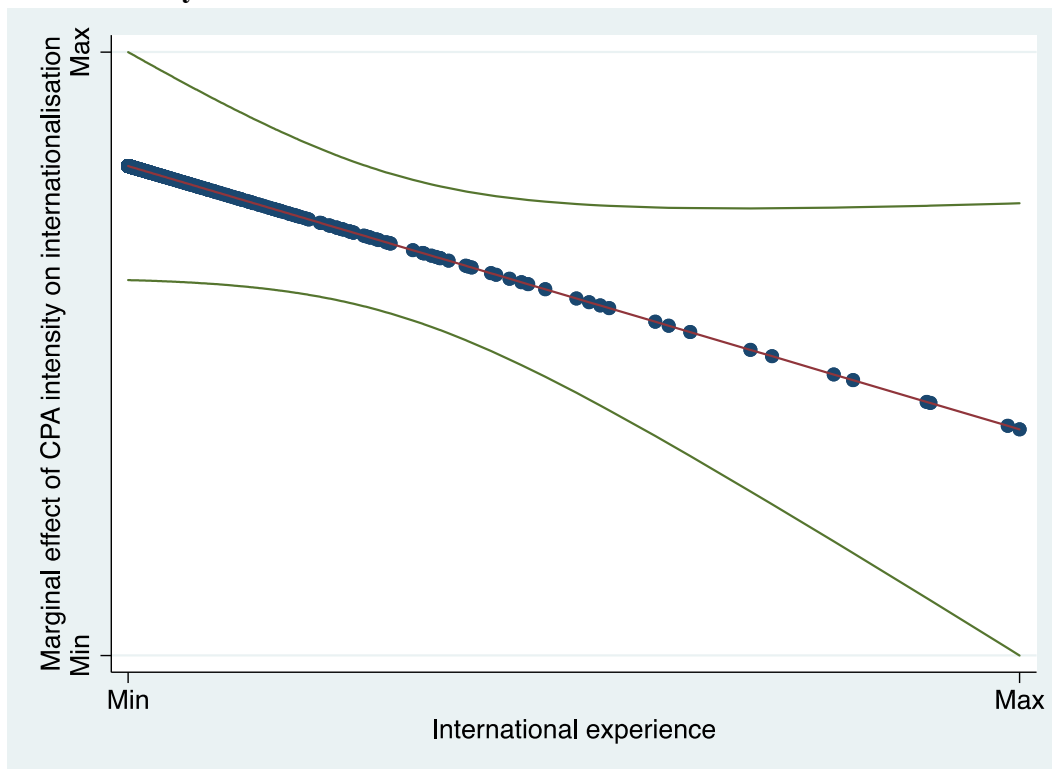


Figure 2. The moderating effect of product diversification on the marginal effect of political connections on internationalisation

