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The Effect of Born International's International Strategies on its Subsequent Development: Taking the Accumulated Overseas Market Resources as the Moderating Effects

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ABSTRACT This paper explores the impact of born internationals' international strategies (FDI-oriented and/or export-oriented) on their subsequent growth and the moderating effect of the accumulated overseas market resources on the relationship between their international strategies and subsequent business growth. It is proposed that born internationals' international strategies have positive effects on their subsequent overseas and domestic business growth that their overseas market resources positively moderate the relationship between born internationals' strategies and their subsequent business growth. The findings from a sample of 575 born internationals in China provide supporting evidence for the positive effect of international strategies on born internationals' subsequent overseas market growth and for the positive moderating effects of overseas market resources on the relationship between born internationals' international strategies and their subsequent overseas business growth. The effect on domestic business growth does not appear. This paper contributes to the literature by probing the impact of born internationals' early internationalization on their subsequent development.

INTRODUCTION

Born internationals are companies that begin internationalization from the inception or soon thereafter (Oviatt and McDougall 2005). Since the mid-1990s, there has been a growing interest in this new phenomenon of born internationals. Earlier research sought to explain largely the emergence and the initial stage of born internationals, and the structural circumstances they faced (Rennie 1993; McDougall et al. 1994; Oviatt and McDougall 1995, 1997). More recently, studies began to concern different aspects of born internationals, such as driving factors of early internationalization and entry modes (Varma 2011; Cannoe and Ughetto 2014; Hennart 2014; Kaur and Sandhu 2014), marketing and business operation mode strategies (Gabrielsson and Pelkonen 2008) learning experience and performance (Loane and Bell 2006; Almodóvar and Rugman 2014). However, there was very limited understanding of how these companies experiencing subsequent stages in the course of their development and whether the advantages and resources acquired from early internationalization could increase their odds of subsequent success in the domestic market. Both theoretically and empirically, these important questions have yet to be answered. It is decided to explore these issues in the context of born internationals in China, the world's largest emerging market. Luo and Tung (2007) suggested that China's new ventures were expanding rapidly in international markets in recent years.

The major purpose of this paper is to probe how Chinese born internationals, boasting a huge domestic market and open-door policy, develop and change over time. When they are small and have limited financial and managerial resources, these companies are able to overcome the serious entrepreneurial and managerial challenges related to the rapid internationalization process and use exceptional strategies at the beginning of their business development process (Luostarinen and Gabrielsson 2006). However, as born internationals grow and develop and have increasingly greater power, how will

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their strategies evolve? What will happen to their performance? And how will the relationship between strategy and performance change? Born internationals and high-tech SMEs have been found to operate in dynamic markets where the market conditions change rapidly that they have no choice but to rapidly adapt to the new market conditions (Crick and Spence 2005). Extant research does not show whether and how these firms, in the process of development, respond to the changing market conditions by reshaping their strategies. To be able to further the research about international entrepreneurship and born internationals, it is necessary to study and understand the continued development of born internationals. In this paper, the research framework is based on the integration of the dynamic perspective of the knowledge-based stage theory (Johanson and Vahlne 1977) and the study on born internationals' strategies.

Literature Review

This section reviews the literature on born internationals from two perspectives. First, the knowledge-based internationalization stages theory is compared with early assumptions on born internationals. Second, the research examines the born internationals' subsequent development strategies.

Scholars have used different terms for what is called born internationals, such as born globalism (Autio et al. 2000), global start-ups/international new ventures (McDougall et al. 1994; Oviatt and McDougall 1994), born internationals (Majkgard and Sharma 1999) and instant internationals (Dana 2001). The term "born internationals" is considered the best to describe the characteristics of the companies from emerging economies like China. In this paper, the quantitative definition of born internationals is adopted. Born internationals are defined as independently operating small and medium-sized firms with export sales that represent at least 20% of their total sales within 3 years of inception (Knight and Cavusgil 2004).

The Comparison of the Internationalization Strategies of Born Internationals with the Stages Pattern of Conventional Internationalizing Firms

Internationalization stages theory emphasizes the dynamic nature of a company's operations in foreign markets. Researchers have shown that conventional firms, esp. manufacturing firms, go through distinct stages in the development of their international business (Hu and Shieh 2013). They enter markets with less demanding operation modes and penetrate those markets deeper with operation modes requiring a large commitment and greater involvement (Johanson and Vahlne 1977). The main mechanism behind a company's change in the internationalization mode is its development of knowledge about foreign markets. By initiating operations in a foreign market, an internationalizing company develops operating experiences in that market. Such experiences are based on a company's interactions within foreign business relationships, such as relationships with foreign customers, suppliers, and competitors (Blomstermo et al. 2004; Tewari 2013). In its interaction within these relationships, a company develops experiential knowledge of foreign markets, which, in turn, influences the company's perceptions of the costs, risks, and benefits of operating in the specific foreign market. The central point in internationalization stages theory is the companies being able to progress to other modes of internationalization that require increased resource commitments, as they acquire more experiential knowledge of foreign markets (Melen and Nordman 2009). The firm may begin with an unsolicited foreign order. As it starts its foreign market operations and increases the market knowledge, the firm is ready to take on new challenges, proceed to set up sales and/or manufacturing subsidiaries, and occasionally advance to the establishment of a fully integrated, global enterprise (Czinkota and Johnston 1981). These modes differ in the resource commitments required from a company. Gabrielsson et al. (2008) showed that the initial commitment of the born global firm, which Meyer and Allen (1991) termed "affective commitment", was created by the global perspectives of the entrepreneur and the opportunities represented by them. It is not created by market activities, experiential knowledge and specific investments. This kind of commitment by the born global entrepreneur will also permeate the staffing of the firm, which will in turn strengthen the initial commitment. Later on, when export takes off, experiences and specific investments will create commitment that gradually changes in character from the affective type to the continuance type. Hence, there is little after a few loops that distinguish the traditional paths of commitment creation from the born global paths. The born global then becomes a "normal" firm.

Research on Born Internationals' Development Strategy

As previously stated, most studies on born internationals examined these companies' internationalization activities in the initial stage. Only a little research addressed their continued development strategy. Melen and Nordman (2009) explored the continued internationalization behaviors of born global. By identifying three patterns of internationalization behaviors, their findings confirmed that there was no predetermined blueprint for born global to follow in their internationalization. Initially low committers, which used low commitment internationalization modes, such as export modes, did not engage in high commitment modes or change internationalization modes in the course of their internationalization, and did not plan to make any higher commitments, such as establishing sales subsidiaries in foreign markets. Incremental committers began internationalization using low commitment internationalization modes. But later they changed internationalization modes in some markets during their continued internationalization. With the establishment of relationships with foreign business partners, they increased their commitment to these specific markets. Changes in the high committers' continued internationalization, however, pointed to two different paths, (1) a continued increase in resource commitments and use of high commitment internationalization modes and (2) a decrease in resource commitments demonstrated in the liquidation of foreign subsidiaries. Their investigation revealed that rapid initial internationalization did not necessarily result in rapid continued internationalization.

Gabrielsson et al. (2008) found that born globals progressed through three phases, namely initial launch phase, growth and resource accumulation phase, and the break-out phase. The third phase was important as the born global would otherwise gravitate into a conventional slow-growing international entrepreneurial SME when the pace of growth slowed. In Phase 3 juncture, born globals could elect to break out onto a new path and/or new market. In order to understand born internationals, research must take the continued development of these firms into consideration. To analyze only their initial stage internationalization behaviors provides limited understanding into born internationals.

Theoretical Framework

There are a wide variety of research perspectives related to born internationals (such as Oviatt and McDougall 1994; Knight and Cavusgil 1996, 2004; Luostarinen and Gabrielsson 2004). Here the researchers are interested in the impacts of born internationals' international strategies (FDI-oriented and/or export-oriented) on their subsequent growth and the moderating effects of the accumulated overseas market resources on the relationship between their international strategies and subsequent business growth. In fact, one of the purposes of this paper is to testify whether the subsequent growth path of born internationals in China is in accordance with the traditional pattern depicted by the Scandinavian process school, which specifies 'internationalization' as a process in which firms gradually increase their international involvement (Johanson and Vahlne 1977).

Impacts of Born Internationals' International Strategies on their Subsequent Development

One important strategy that a born international has to make is how to enter the foreign market. This choice of foreign market involvement will have great influence on its performance. As mentioned earlier in the literature review, born internationals might begin internationalization by using low commitment modes such as export or high commitment modes like foreign subsidiaries. In the course of their continued operations, some firms moved from export to foreign direct investment (FDI) by establishing new subsidiaries or acquiring existing companies. Some others, in order to lower risks, might resort to export or franchising from FDI. Therefore, this paper identifies FDI strategy and export strategy as born internationals' subsequent strategies. A survey of the relevant literature shows that researchers hold similar views about born globals' internationalization strategies. In general, born internationals tend to adopt relatively low commitment entry modes to overcome the restraint of insufficient resources and to avoid risks (Coviello and Munro 1997; Crick and Jones 2000; Gabrielsson and Kirpalani 2004). For these new ventures, FDI may not be a winning way to enter foreign markets, even if it appears very competitive (Zahra et al. 2000). On the other hand, born internationals usually grow by way of easily adaptive modes. For example, they may seek for collaboration with an MNE or build networks and gain customers by using the Internet to achieve rapid growth in the international market (Gabrielsson and Kirpalani 2004).

However, born internationals must be able to satisfy the needs of customers that it is essential to set up local facilities, such as after-sales service, to entail high resource commitment. Therefore, born internationals should determine entry modes according to resources available and the specific needs such as local customization and supporting activities (Burgel and Murray 2000). A visible disadvantage with the low commitment strategy is that it provides few learning opportunities because intermediaries, instead of born internationals themselves, deal with overseas customers directly. Companies can acquire more experiential knowledge through high commitment growth strategies such as green field investment or acquisition than through low commitment strategies such as export or franchising (Zahra et al. 2000). Following the above discussion, the following hypotheses are proposed.

Hypothesis 1a: The implementation of FDI-oriented strategy has a positive effect on born internationals' subsequent overseas business growth.

Hypothesis 1b: The implementation of export-oriented strategy has a positive effect on born internationals' subsequent overseas business growth.

Most scholars define born internationals as a firm that exports at least 25% of their sales within three years of inception (Andersson and Wictor 2003). However, most born internationals are inherently tied to the domestic market, even with the domestic market playing a predominant part. Until now, little is known about the relationship between the firm's internationalization growth strategy and its domestic market performance.

Currently, international trade theory is widely used in the study of export firms.

Scholars have increasingly focused their attention on firm-level research. However, there appeared two contradictive views about firms' export behaviors, namely self-selection assumption and learning from exporting assumption. The phenomenon of international new ventures gave strong support to the "learning from exporting" assumption, which suggested that firms were able to improve productivity by learning foreign technologies and management expertise in their process of exporting. Now this assumption has gained much attention. Some scholars applied it to the investigation of whether companies could boost export performance and enhance innovation capability (Salomon and Shaver 2005; MacGarvie 2006). Their research findings demonstrated that firms had the potential ability to learn from export. For example, international purchasers may drive manufacturers from developing countries to upgrade by pushing them to improve their ability (Salomon and Jin 2008). As for those companies which sell in both domestic and international markets, the ability upgrading can increase their domestic performance.

Research on FDI showed that firms' outward FDI could produce reverse spillover. In the course of operating in developed markets and collaborating with sophisticated customers and suppliers, firms have got not only spillover of technological expertise such as R&D and design, but also of managerial skills and tacit know-how such as manufacturing, distribution, and business or operating modes (Branstetter 2000). With China's domestic market getting more mature, this kind of tacit knowledge will have more chances to exert influence, thus enhancing firms' operation performance in the domestic market. Therefore, the following hypotheses are proposed.

Hypothesis 2a: The implementation of FDI-oriented strategy has a positive effect on born internationals' subsequent business development in the domestic market.

Hypothesis 2b: The implementation of export-oriented strategy has a positive effect on born internationals' subsequent business development in the domestic market.

Born Internationals' Overseas Market Resources

This paper examines born internationals' overseas market resources from three aspects, including market knowledge, social networks, and customer relationship.

Overseas market knowledge. Knowledge-based internationalization stages theory is fundamentally different from international entrepreneurship research on the essential point regarding firms' internationalization. Knowledge-based theory emphasizes firms' gradual change of international commitment. In contrast, international entrepreneurship research focuses on the internationalization speed and avenues of born internationals, but pays little attention to the continued development of these firms. According to the stages theory, firms go international incrementally because foreign market knowledge required for international development often increasing over time. Similarly, studies have shown that foreign market knowledge is critical in the internationalization of born internationals and foreign customer knowledge specifically influences the international success of born internationals.

International market knowledge is an important resource. Internalization theory of international transactions considers specific knowledge and technology that companies possess one of the key assets for them to gain excess profits and to offset operational risks caused by imperfect external markets. Internationalization stage theory sees firms' internationalization as a learning process in which firms can accumulate knowledge and experiences, and indicates that firms can obtain and take advantage of overseas market knowledge by increasing resource commitment to foreign markets (Johanson and Valhne 1977).

Social Networks of Firms

For the lack of sufficient internal resources that traditional MNE theories value to support internationalization, born internationals tend to rely on many vital assets external to them, especially social networks (Oviatt and McDougall 1994). Indeed, rich social resources can facilitate any firm's internationalization. However, international entrepreneurship research shows that possessing a wide variety of international social networks is particularly important to the internationalization of small and medium-sized enterprises (SMEs). Social networks are not only the way for SMEs to obtain knowledge and experiences in their initial stage of internationalization, but also the essential foundation for their subsequent international growth.

For small export companies, competitive advantages depend on the nature, not the amount of the resources available (Wolff and Pett 2000). Firms usually use the obtained managerial and organizational capabilities to serve a number of markets instead of a few key markets (Crick and Jones 2000). Therefore, approaching and utilizing such critical as various partnerships can enable SMEs to compete efficiently in the international market, which according to traditional internationalization theory, is only possible in large multinational enterprises (MNEs). The faster born internationals develop international business relationships, the more they are widely interwoven in networks and the better position they are to penetrate foreign markets (Chetty and Campbell-Hunt 2004).

Global Customer Relations

One important component of international experiences is that born internationals' entrepreneurs possess is the different kinds of business network. Born internationals usually have several important international customers, who provide opportunities for born internationals through their own business networks. It is essentially important to be embedded in increasingly expanding global customer networks. Global customer's relations are dynamic resources. They form through accumulation. Born internationals can obtain orders and knowledge spillovers such as valuable process improvement, product enhancement, R&D and design, even marketing techniques. This network resource provides powerful support for born internationals' cross-border operations.

Moderating Effect of Overseas Market Resources

Wagner and Ruigrok (2004) suggested that both external and internal factors might moderate the relationship between internationalization and performance. Born internationals' subsequent growth strategies were a strategic choice when being exposed to foreign markets. This choice was the result of making trade-offs between perceived opportunities and capabilities available (Mathews and Zander 2007). When firms are lack of overseas market resources, expanding through the mode of FDI is liable to locking the firms to the overseas assets invested, thus incurring greater risks. Poverty of overseas market resources will subject the firms to difficult situations, and therefore lower the performance on overseas operations. When firms have sufficient overseas market resources, they are able to integrate, cooperate, and interact with business partners and social network members. A large number of research revealed that this reciprocal mechanism could improve inter-firm knowledge transfer and learning (Hakanson and Nobel 2001) and facilitate born internationals to learn and obtain tacit knowledge from foreign markets.

Firms that go international through export rely on exporting and importing intermediaries to identify foreign customers and develop foreign markets. Firms with enough overseas market resources can take advantage of these resources to expand customer relations and increase exports, therefore enhancing performance of overseas operations. On the other hand, firms going internationally through the mode of export tend to commit more resources to foreign markets. The more overseas resources the firm owns, the greater emphasis it puts on overseas operations. This is why firms with export-oriented strategies can increase overseas operation performance. Therefore, the following hypotheses are proposed.

H3a: Overseas market resources present positive correlation between born internationals' FDI-oriented strategies and their subsequent overseas business growth.

H3b: Overseas market resources appear positive correlation between born internationals' export-oriented strategy and their subsequent overseas business growth.

Literature from multi-perspectives suggested that firms moved across geographic boundaries for resources and knowledge acquisition as well as capability enhancement (Madhok 1997). Particularly with the rise of Asian multinationals, an asset-augmenting or asset-seeking perspective has been advocated to explain how these latecomers employing international expansion as a way to seek resources and overcome their competitive disadvantages (Child and Rodrigues 2005). Foreign market resources are the strategic assets firms try to seek through internationalization. A wide variety of foreign market resources in hand can facilitate born internationals' interaction with foreign customers, suppliers, local governments, and their acquisition of technological know-how and managerial skills. Research showed that even OEM or franchisee firms could obtain knowledge from foreign markets to upgrade products and processes. For example, meeting global standards of quality assurance can integrate OEM firms into major world markets. Enhancing control efficiency can bring about higher performance (Nadvi 2008). This internalized knowledge and ability able to be transferred from among different markets is favorable for firms' operation in the domestic market. Therefore, the following hypotheses are proposed.

H4a: Foreign market resources present positive correlation between born internationals' FDI-oriented strategy and their subsequent domestic business growth.

H4b: Foreign market resources appear positive correlation between born internationals' export-oriented strategy and their subsequent domestic business growth.

METHODOLOGY

Research Frame

Figure 1 schematically illustrates the relationship between born internationals' international strategies (FDI-oriented and/or export-oriented) and their subsequent growth and the moderating effect of the accumulated overseas market resources on the relationship between their international strategies and subsequent business growth. It is proposed that born internationals' international strategies have positive effects on their subsequent overseas and domestic business growth that their overseas market resources positively moderate the relationship between born internationals' strategies and their subsequent business growth.

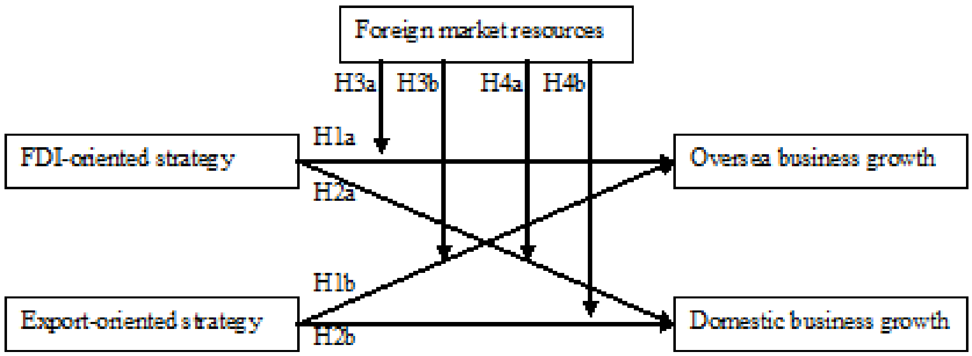

Fig. 1. Born international's international strategies, its subsequent business growth, and the moderating factor of foreign market resources

Sample Collection

The samples used in this paper included companies that participated in the 108th Canton Import and Export Trade Fair in November – December, 2010. 423 valid responses to the questionnaire were collected. Canton Trade Fair is the largest fair in the world with the most commercial visitors and participating companies. The 108th Trade Fair was opened in Guangzhou International Convention and Exposition Center on 15, October 2010. A total of 23,098 China's domestic companies participated, coming from various sectors such as consumer goods, gifts, home furnishings, textiles and clothing, leisure goods, health care products, specialty foods, rubber and chemicals, construction materials, household appliances, machinery manufacturing, electronics, vehicles and parts, hardware and tools etc. Most of the companies engaged in export and foreign trade business and grew very fast. The trade fair therefore provided a good opportunity to collect samples of born internationals from trade fair participants. The choice of sample companies was strictly based on the 20% standard.

Interviewer-administered questionnaire survey was used for collecting data. The survey was conducted in all sections of the Fair. The sample firms were of controllability, selectivity, and representatively that it was possible and convenient to understand, control, and judge the factors in respondents. So, the quality of investigation was guaranteed. The interviewees in this paper were mostly senior executives, or marketing and foreign trade business managers, who held responsibilities for exporting and international activities in their firms. They had good knowledge of their firms' development, esp. firms' international growth. Major characteristics of the sample firms are summarized in Table 1.

Table 1: Major characteristic of the firms in the sample

		No.	*Percentage*
Regional Distribution	Guangdong	110	26
	Zhejiang	100	23.6
	Fujian	47	11.1
	Jiangsu	37	8.7
	Shandong	30	7.1
	Shanghai	20	4.7
	Others	79	18.7
Industrial Distribution	Fabric and clothes	137	32.4
	Consumer goods	86	20.3
	Gifts	71	16.8
	Furniture	46	10.9
	Office and leisure goods	29	6.9
	Foods	21	5.0
	Others	33	7.8
Number of Employees	Range	10-10000	
	Mean	429	
	Median	200	

Measures

Dependent Variables

Firm growth is the dependent variable in this paper. To measure this variable, respondents were asked, on a five-point Likert scale, to assess how the firm's overseas revenue and domestic revenue improved (1=greatly decrease, 5=greatly increase).

Moderating Variables

The overseas market resource accumulated by born globals is the moderating variable in this paper, which moderates the relationship between a firm's international strategies and the sequential growth. It was measured on a five point Likert scale, the degree to which firms agreed with the following three items, including 1. Good understanding of foreign market knowledge, 2. Good relations with foreign partners, and 3. Formation of global relationship networks. (1=totally disagree, 5=totally agree)

Factor analyses extracted one factor with loadings ranging from 0.82 to 0.87, suggesting construct validity. Cronbach's alpha was 0.80, indicating high reliability.

Independent Variables

In order to measure FDI-oriented strategy and export-oriented strategy, the interviewees were asked to evaluate the extent of agreement with six items in terms of the international growth strategies employed by the firm, along a five-point Likert scale (1=totally disagree, 5=totally agree). The scale consisted of six items, (1) Expand direct export, (2) Strengthen the cooperation with intermediary, (3) Stress licensing and franchising, (4) Establish overseas marketing channels by means of strategic alliances and/or joint ventures, (5) Establish overseas marketing channels in the direct investment way, and (6) Build overseas manufacturing base. Given that most of the sample firms were OEM manufacturers which usually placed more emphases on manufacturing-related capabilities, human assets in this paper were not taken out as a variable.

The factor analysis showed that the six items converged into two factors with variance explained of 65.544%. The first factor, labeled as FDI-oriented strategies, consisted of four different direct investment ways such as establishing manufacturing base, marketing channels and franchising. The second factor, labeled as export-oriented strategies, consisted of two international ways of direct export and indirect export with the help of intermediary. The Cronbach's alphas of the two sub-scales appeared 0.8174 and 0.4483, respectively. Factor analysis and reliability value are listed in Table 2.

Control Variables

Firm Age

International business process theories (for example, Johanson and Vahlne 1977) suggest that the international growth is a function of

Table 2: Factor analysis and reliability analysis

Construct	*Items*	*Factor loadings*	*Variance*	*Cronbach's á*
Firms' International Growth Strategy			65.544%	
FDI-oriented strategy	Establish overseas marketing channels in direct investment way	0.873		0.8174
	Build overseas manufacturing base	0.788		
	Establish overseas marketing channels by means of strategic alliances and/or joint ventures	0.758		
	Stress licensing and franchising	0.703		
Export-oriented strategy				
	Increase direct export	0.898		0.4483
	Strengthen cooperation with intermediary	0.625		
Overseas Market Resources			72.203%	
	Good understanding of overseas market knowledge	0.867		0.8043
	Good relations with foreign partners	0.858		
	Formation of global customer relationship networks	0.823		

age of the firm, thus a control of firm age is included in valuation models. Firm age is calculated as a firm's founding year subtracted from 2010.

Firm Size

The size of a firm may influence its international growth. The effect of firm size is controlled, measured by the log of the firm's total employees (Hoskisson et al. 2002). Number of employees is an appropriate measure of firm size for young ventures, as many such ventures do not have sales or are early in their sales growth.

Export Intensity

Export intensity is closely connected with a firm's subsequent overseas market and domestic market growth. In general, export intensity is in proportion to the importance of a firm's international activities and its foreign market growth. Meanwhile, export intensity negatively corresponds to domestic market share. Export intensity is calculated as a firm's export relative to its total sales.

RESULTS

Descriptive Statistics and Correlation Analysis

The means, standard deviations and correlation coefficient of the variables included in the analyses are presented in Table 3.

Hypothesis Testing

Table 4 shows the result of regression analysis. Model 1 was the baseline model with the control variables inserted; then the direct effects were entered to test hypotheses 1a, 1b and 2a, 2b (Model 2a and 2b in Table). Then, each interaction term was entered, one at a time, to test hypotheses 3a, 3b and 4a, 4b (Model 4-5 in Table). The variance inflation factors in the regression models did not exceed 2, indicating no serious problems with multicollinearity.

Model 1 regressed both oversea and domestic business growth on the control variables. Model 1b was significant ($p<0.001$), explaining 12.6% of the variance, while model 1a was not significant. Model 1 showed that (1) the firm size was significantly and positively related to firm's growth in both oversea and domestic markets ($P<0.1$) and (2) export intensity was significantly and negatively related to a firm's growth in domestic market.

Model 2-5 showed that Hypotheses 1a and 1b were supported. Both FDI-oriented and export-oriented strategies in this paper were significantly and positively associated with firm's growth in oversea markets. Moreover, Hypotheses 2a proved to be valid. The FDI-oriented strategy employed was significantly and positively related to a firm's growth in domestic market. However, Hypotheses 2b was not supported.

In Model 3, the moderator 'oversea market resource' was added to the variables included in Model 2. Model 3a and 3b were significant ($p<0.001$), explaining 10.5% and 14.4% of the variance in oversea and domestic business growth, respectively. Model 3 also indicated that oversea market resources were positively associated with a firm's growth in both oversea business ($p<0.01$) and domestic business ($p<0.1$).

Table 3: Descriptive statistics and correlation coefficient

	Mean	*Standard deviation*	*1*	*2*	*3*	*4*	*5*	*6*	*7*
1. FDI-oriented strategy	3.31	0.908							
2. Export-oriented strategy	3.86	0.812	0.375***						
3. Overseas revenues	3.82	0.804	0.187***	0.280***					
4. Domestic revenues	3.44	0.752	0.215***	0.147**	0.175**				
5. Overseas market resources	3.92	0.727	0.346***	0.263***	0.229***	0.162**			
6. Firm age	13.44	9.707	-0.021	-0.085+	-0.039	0.053	0.009		
7. Firm size	2.24	0.574	0.173**	0.077	0.050	0.195**	0.044	0.288***	
8. Export intensity	88.29%	17.07%	-0.121*	-0.095+	0.038	-0.294***	-0.028	-0.014	-0.323***

+ $p<0.1$ * $p<0.05$ ** $p<0.01$ *** $p<0.001$

Table 4: Hierarchical regression of international growth strategies and overseas market resources on business growth

	Model 1		*Model 2*		*Model 3*		*Model 4*		*Model 5*	
	Model 1a Overseas growth	*Model 1b Domestic growth*	*Model 2a Overseas growth*	*Model 2b Domestic growth*	*Model 3a Overseas growth*	*Model 3b Domestic growth*	*Model 4a Overseas growth*	*Model 4b Domestic growth*	*Model 5a Overseas growth*	*Model 5b Domestic growth*
Control Variables										
Firm age	-0.071	0.003	-0.058	0.023	-0.049	0.033	-0.044	0.033	-0.047	0.030
Log of the firm's total employees	0.106^{*}	0.135^{**}	0.076	0.123^{*}	0.055	0.105^{+}	0.048	0.105^{+}	0.052	0.108^{*}
0.093^{*}	-0.056									
Export intensity	0.057	-0.302^{***}	0.095^{+}	-0.293^{***}	0.084^{+}	-0.303^{***}	0.091^{+}	-0.303^{***}	0.081	-0.300^{***}
International Growth Strategy										
FDI-oriented strategy			0.161^{**}	0.159^{**}	0.124^{*}	0.136^{**}	0.121^{*}	0.136^{**}	0.124^{*}	0.135^{**}
Export-oriented strategy			0.208^{***}	0.106^{*}	0.183^{***}	0.093^{+}	0.185^{***}	0.093^{+}	0.198^{***}	0.083
Moderating Variable										
Overseas market resources					0.172^{**}	0.093^{+}	0.179^{***}	0.093^{+}	0.180^{***}	0.087
Interaction Effect										
FDI×overseas market resources							0.104^{*}	-0.001		
export×overseas market resources									0.093^{*}	-0.056
F value	1.832	20.369^{***}	7.541^{***}	15.004^{***}	9.068^{***}	12.761^{***}	8.557^{***}	10.907^{***}	8.380^{***}	11.129^{***}
R^2	0.011	0.132	0.082	0.173	0.118	0.181	0.128	0.181	0.126	0.184
Adjusted R^2	0.005	0.126	0.071	0.161	0.105	0.167	0.113	0.164	0.111	0.167
R^2variation			0.071	0.041	0.036	0.008	0.010	0.000	0.008	0.003

$^{+}$ $p<0.1$ $^{*}p<0.05$ ** $p<0.01$ *** $p<0.001$ (two-tailed)

Table 3 also showed the tested moderated regression models (4-5). In each of these models, a single interaction term was added to the variables included in Model 3. In Model 4, only the interaction term for FDI-oriented international strategies and overseas market resources had significantly positive effect ($p<0.05$) on the firm's subsequent overseas business growth, but had insignificantly negative effect on the firm's subsequent domestic growth. In Model 5, the interaction term for export-oriented international strategies and overseas market resources did not have significant influence on either the domestic or overseas business growth. This showed that overseas market resources was not able to contribute to the subsequent growth of export-minded born internationals,

The model 4a regression analysis was significant ($p<0.001$), explaining 12.4% of the variance in oversea business growth. The interaction term was also significant and positive ($p<0.05$). The addition of the interaction term between FDI-oriented strategies and oversea market resources improved the overall model's R2 by 1%. The analysis was repeated using an interaction term between export-oriented strategies and oversea market resources. Although Model 4b was significant ($p<0.001$), with an adjusted R2 of 14.7%, the coefficient of interaction term was not significant, and the explanatory power of the overall Model 4b was not obviously higher than that of Model 3b.

In Model 5, the analysis was run using the interaction term for export-oriented strategies and oversea market resources. The analysis was also significant ($p<0.001$) in models explaining both oversea and domestic business growth. The interaction term in Model 5a was also significant ($p<0.05$). The model explained 11.1% of the variance, which was 0.8% higher than Model 3a. In Model 5b, however, the coefficient of interaction term was not significant.

CONCLUSION

This paper explores the impact of born internationals' internationalization strategies on their subsequent domestic and overseas business growth. It also examines the moderating effect of firms' overseas market resources accumulated through internationalization on the relationship between the strategy pursued and the subsequent growth. The major finding is that FDI-oriented strategies can facilitate born internationals' subsequent growth in both overseas and domestic markets because FDI-oriented firms usually go international for strategic assets, which in turn can greatly enhance their positions in the international market. Furthermore, once the firm internalizes the knowledge acquired from overseas markets and applies it to the domestic business, it can achieve continued growth. While export-oriented strategies can obviously boost the growth of a firm's overseas business, it is unable to promote domestic business growth. The reason is that most born internationals in China are labor-intensive; their internationalization originates from OEM production, which mainly takes place in the home country. However, they face foreign customers. This home-based internationalization plays a very important role in accumulating experiences and knowledge and in understanding foreign markets. But because they have a lot of dependence on foreign brand customers and trade intermediaries for export orders, the indirect knowledge obtained about foreign markets is less likely to be effectively transferred to domestic business. This finding *shows that companies can learn from export foreign technical and management expertise to improve the productivity. They have no specific domestic advantages to depend on, such as economies of scale in the home market and technological innovation capability.* The majority of the sample companies in this paper began export as their major business from the moment of inception. In their initial stage, they did not have strong resource advantages.

Another important finding is that foreign market resources accumulated through internationalization can increase the facilitating effect of international strategies on overseas business growth. Foreign market resources are proportional to the impacts of FDI strategies and export strategies on the expansion of overseas markets. But contrary to the initial expectations, no evidence was found that overseas market resources could affect the relationship between international strategies and domestic business growth. This result indicates that China's born internationals do not put emphases on the domestic market or are unable to link overseas market resources to their domestic market growth. They rely on their home country's low production cost and produce to fill foreign orders. Although they have obtained a lot of foreign market resources through approaching and cooperating with foreign customers, it is difficult to find applications in the domestic market.

In general, the findings show that the knowledge-based process theory of internationalization can be used to explain Chinese born internationals' continued growth. Their development path resembles what referred as low-committers and incremental committers of internationalization. Chinese born internals usually begin internationalization as low-committers. Some of them, after several years of existence, still rely on export for international involvement but increase export through incremental commitment, such as process and product upgrading and production scale expansion. Some others, after establishing presence in the overseas market through export, will increase resource commitment to that market through FDI, thus moving to higher value-added section along the global value chain. However, the research findings also indicate that overseas market resources supporting a firm's international growth cannot be transferred and applied to domestic business growth.

In fact, in the post financial crisis period, the Chinese government encourages companies to make full use of domestic and foreign markets and resources. That is to say, the companies which have focused on the domestic market should actively go international, while those concentrating on foreign markets should consider how to make use of the huge domestic market and develop domestic market or enlarge domestic market share as a way of avoiding international operation risks. This paper examines this latter path of change. However, the research findings reveal that Chinese born internationals are just beginning to pursue the strategy of moving to the domestic market. Some of them are not yet able to transfer their foreign assets to the domestic market. So in the post financial crisis period, how to apply assets accumulated through early internationalization to domestic business development is a new management challenge for China's born internationals.

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