

THE MODERATING EFFECT OF FIRM'S BEHAVIOR ON THE RELATIONSHIP BETWEEN INTERNATIONALIZATION AND FIRM'S PERFORMANCE

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ABSTRACT

This study aims to determine (1) to understand the influence of corporate behavior's elements, which include slack, and attainment discrepancy, which moderated the relationship between internationalization and performance, (2) to understand the effects of different types of slack towards relationship between internationalization and performance. This study uses a quantitative approach with a model of ordinary least square. This study used a sample of companies in the manufacturing industry, which has listed on the Indonesia Stock Exchange during the period of 2013-2014. The number of observations used in this study was 184 observations. The results showed that low-discretion slack and attainment discrepancy significant positively moderate the relationship between internationalization and performance. The manufacturing industry in Indonesia is in the early phase of internationalization. High-discretion slack variable does not significantly moderate the relationship between internationalization and performance.

Key words: Internationalization, Firm's Behavior, Organizational Slack, Attainment Discrepancy

INTRODUCTION

Globalization in the business world has eliminated geographical restrictions as a prohibitive factor to conduct a business practice. Thus, companies tend to be motivated to expand internationally in order to increase their competitiveness. Pla-Barber and Alegre (2007) stated that there was a significant positive correlation between export intensity and innovation. This research based on the idea that the strategy of international expansion are very important catalyst of growth, this caused by the increasing intensity of competitive pressures.

Internationalization undertaken by a firm will directly affect the firm's performance. Various studies have been conduct to understand the relationship between internationalization and performance of the firm. The mixed results could be due to the differences in research coverage on internationalization phase (early, mid-stage, high). The success of a firm in maintaining its performance during internationalization cannot be separated from the internal state of the firm itself. Cyert and March (1963), George (2005) and Tseng et al. (2007) in Lin et al. (2011) stated, "Internal firm-specific characteristics are a crucial determinant of performance progress". Lin et al. (2011) states, the central tenet of firm behavioral theory highlights 6 elements of firm behavior: (1) performance, (2) slack (the difference between the total resource and the minimum resources necessary to produce a number of output), (3) Aspirations (desired level of performance), (4) expectations (anticipated level of actual performance), (5) risks, and (6) the size of the organization.