Interdependency Between Internationalization and Firms' Performance

Della Meilody[1], Deddy Marciano[2]
[1,2]Universitas Surabaya
Jalan Raya Kalirungkut, Surabaya, Indonesia
dellameilodyplay@gmail.com; marciano@staff.ubaya.ac.id

Abstract-*This research analyzes whether there is an interdependency between internationalization (IS) and firms' performance in manufacturing industry. This study includes 57 companies that are listed in the Indonesian Stock Exchange (IDX) from 2011 to 2015. In order to know which explanatory variables that significantly lead to the Relative Performance based on Historical Target (RPH) and Relative Performance based on Industrial Target (RPI), this research exercises two-stage of least squares regression analysis. The result reveals that IS has a significant positive effect on RPHat0 and RPH itself has a positive effect on IS. It can be said that whenever the number of companies that internationalize themselves increase by a certain degree will have a positive impact on RPH and conversely. Other result shows that IS has significantly negative effect on RPI, however, RPI has an insignificant effect on IS. This means that the more companies internationalize themselves the more negative will be visible on their performance and conversely. Nevertheless, undertaking further research on the same topic with larger sampling population is necessary so that the puzzle whether or not IS and firm's performance involving RPI and RPH remains interconnected can be explained more comprehensively.*

Keywords: *internationalization, firm performance, relative performance, interdependency*