Untangling the Commonalities and Differences between Domestic Cross-regional Experience and International Experience in Shaping Speed of Internationalization

ABSTRACT Prior studies have paid attention to the influence of domestic experience on internationalization, for which domestic experience primarily refers to the accumulation of internationalization knowledge from industrial peers or partners at home. We argue that the commonalities and differences between international experience and domestic cross-regional experience have not been fully incorporated in previous frameworks in the literature. Thus, in untangling the commonalities, we purposively differentiate domestic experience into two dimensions, i.e., repetition-based experience and diversity-based experience, to investigate the contingent role of making domestic cross-regional investments in shaping the relationship between international experience and the speed of internationalization. We expect that these two dimensions of domestic experience will moderate the relationship between international experience and the speed of internationalization in a different way. More specifically, repetition-based experience has a negative moderating effect while diversity-based experience has a positive moderating effect. Further, considering the differences between international investments and domestic investments, we expect that the joint impacts of international experience and domestic cross-regional experience on internationalization speed are contingent on whether firms have sufficient resources to support multiple learning or whether institutions between the home country and foreign country is similar enough for cross-context application. We expect that financial slack and institutional distance between prior foreign entries' country and the home country play significant three-way moderating roles in setting boundaries for the relationship between domestic experience and international experience. Based on the analysis of 302 Chinese publicly listed firms from 2001 to 2014, the dynamic panel data regression results support our hypotheses. Overall, our simultaneous consideration of commonalities and differences between domestic investments and international investments sheds light on how MNCs learn from both international and domestic investments to speed up their foreign expansions.

Keywords: domestic cross-regional experience, international experience, speed of internationalization, financial slack, institutional distance

INTRODUCTION

Speed of internationalization has received increasing attention from international business research scholars in the past decade (Casillas & Moreno-Menéndez, 2014; Gao & Pan, 2010; Hilmersson, Johanson, Lundberg, & Papaioannou, 2017; Nadolska & Barkema, 2007). In a context of global competition where multinational companies (MNCs) are constantly racing against rivals to get to new foreign markets first, there is no doubt that speed of internationalization, as a key part of international strategy, has a significant impact on multinational companies' (MNCs) performance (García-García, García-Canal, & Guillén, 2017; Vermeulen & Barkema, 2002; Yang, Lu, & Jiang, 2017). For this reason, understanding what drives MNC's speed of internationalization becomes crucial. Among the existing studies that attempt to identify the determinants of internationalization speed, a major research stream applies experiential learning perspective and theoretically highlights the important role of international experience (Casillas & Moreno-Menéndez, 2014; Gao & Pan, 2010; Johanson & Vahlne, 1977; Nadolska & Barkema, 2007; Pellegrino & McNaughton, 2017). However, the extant empirical findings concerning the relationship between international experience and the speed of internationalization are still equivocal. Some argue that international experience promotes the speed of internationalization (Gaba, Pan, & Ungson, 2002; Gao & Pan, 2010; Hutzschenreuter, Kleindienst, Guenther, & Hammes, 2016; e.g., Nadolska & Barkema, 2007), while others point out a non-linear and contingent relationship (e.g., Casillas & Moreno-Menéndez, 2014; Pellegrino & McNaughton, 2015, 2017; Surdu, Mellahi, Glaister, & Nardella, 2018), or empirically no significant relationship between them (Batsakis & Mohr, 2017) (See Table A1 for details).

We argue that one plausible explanation for the mixed findings is that existing studies predominantly examine the direct effect of international experience on the speed of internationalization and ignore the potential role of domestic experience (or

home-based experience) that may shape MNCs' capability to exploit their international knowledge and expertise. Some recent studies suggest that MNCs can benefit from home-based experiences, such as international knowledge spillover from their alliance partners or neighboring companies, or by engaging in transactions with foreign companies at home (Cuervo-Cazurra, 2011; Gu & Lu, 2011; Hong & Lee, 2015; Liu, Gao, Lu, & Lioliou, 2016; Lyles, Li, & Yan, 2014; Satta, Parola, & Persico, 2014). However, international knowledge can also be obtained by making cross-regional investments in the home market (Cuervo-Cazurra, 2011; Liu, Lu, & Chizema, 2014; Welch & Wiedersheim-Paul, 1980). Nonetheless, even for the few studies that recognize cross-regional investments as a potential learning source (Cuervo-Cazurra, 2011; Lu, Liu, Filatotchev, & Wright, 2014a; Welch & Wiedersheim-Paul, 1980), only the direct influence of domestic experience on business performance or sequential entry strategy has been examined. We still have quite limited knowledge about how domestic experience accumulated through cross-regional investments (i.e., domestic cross-regional experience) affects the relationship between international experience and the speed of internationalization. It should be noted that domestic cross-regional experience is especially salient for MNCs from large economies where substantial institutional and economic differences across regions at home will possibly affect the way MNCs learn from domestic markets and, in turn, apply such learning to international markets (Liu et al., 2014). Thus, in our study, we attempt to address this gap.

We expect that internationalization and domestic cross-regional investments to a certain extent share some commonalities in that both of them are types of business expansion across geographic regions and thus need to address significant liabilities of foreignness (Cuervo-Cazurra, 2011). Such commonalities lead to the outcome that experience accumulated through domestic cross-regional investments may directly or

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indirectly influence how MNCs exploit international experience for foreign expansion (Lu et al., 2014a). Based on organizational learning theory and the internationalization process model (Johanson & Vahlne, 1977; Levitt & March, 1988), we argue that the joint impacts of international experience and domestic cross-regional experience in shaping the speed of internationalization depend on the *nature* of domestic cross-regional experience. We purposively divide domestic cross-regional experience into two dimensions, i.e., *repetition-based experience* and *diversity-based experienc*e. The former is defined as gaining generic and reusable knowledge, expertise, process and routines through frequent cross-regional investments at home while the latter refers to build variation-disposing capabilities through exposure to institutionally and culturally diverse regions in the home country. We expect that repetition-based experience has a negative moderating effect on the relationship between international experience and the speed of internationalization because of the detracting effect from resource competition, inertia problem and mismatch problem, while diversity-based experience has a positive moderating effect due to decreased inertia problem and mismatch problem.

It is also important to consider the differences between international investments and domestic cross-regional investments in addition to their commonalities. According to internationalization process studies (e.g., Cuervo-Cazurra, Maloney, & Manrakhan, 2007; Eriksson, Johanson, Majkgård, & Sharma, 2015; Johanson & Vahlne, 2009; Johanson & Vahlne, 1977; Vahlne & Johanson, 2017), it is well-documented that internationalization is different from domestic investments in terms of resource commitment and institutional context. Therefore, the joint effect of international experience and domestic experience on internationalization speed may be contingent on whether firms have sufficient resources to support multiple learning or whether institutions between the home country and foreign country are similar

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enough to allow cross-context application. Accordingly, financial slack and institutional distance are boundary conditions under which the negative or positive interactions between international experience and domestic cross-regional experience will be weakened or strengthened. As financial slack resources in terms of the level of liquid assets divert firms' attention from "fire-fighting" to identifying and pursuing new opportunities (Aguilera-Caracuel, Guerrero-Villegas, Vidal-Salazar, & Delgado-Márquez, 2015; Cyert & March, 1963; Kraatz & Zajac, 2001), we expect the assumed detracting effect between repetition-based experience and international experience will be less pronounced, while the enhancing effect between diversity-based experience and international experience will be more pronounced, when MNCs have high levels of financial slack. However, we expect that the context dissimilarities, in particular the institutional distance between prior foreign entries and the home country, have an opposite three-way moderating effect on the interactions between domestic experience and international experience (Chao & Kumar, 2010; Kostova et al., 2020; Xu & Shenkar, 2002).

Our study contributes to the literature in the following ways. First, although several studies move in the direction of revealing the role of domestic experience in influencing MNCs' internationalization, they mainly either investigate domestic experience sourced from foreign inward investment (FDI) or only test the direct effect of domestic cross-regional experience. Through treating domestic cross-regional experience as moderators, we not only offer an alternative explanation to the inconsistent findings of the relationship between international experience and the speed of internationalization but also extend the theoretical lens of the home-based experience literature. Second, by purposively differentiating the detracting effect of repetition-based experience and the enhancing effect of diversity-based experience, we contribute to extend organizational learning theory and internationalization

process model, which often assume a constantly increasing learning curve while ignoring the fact that outcomes of learning may depend on how experience is being accumulated. Further, the significant two-way (i.e., repetition-based experience and diversity-based experience) and three-way moderating effects in the study (i.e., financial slack and institutional distance) shed lights on a more fine-grained view of the relationship between domestic cross-regional experience and international experience by simultaneously considering commonalities and differences which have been mostly separated in the prior studies.

We test our theory in the context of China during the period of 2001 to 2014. During this period, China became a major source of global FDI with a considerable increase from 2.7 billion US dollars in 2002 to 123.12 billion US dollars in 2014, and Chinese MNCs have experienced an accelerated internationalization with a 34.2% annual growth rate during the period of 2002[1] to 2014 (MOC, 2015). In China context, we refer region as territorial entities (i.e., provinces or subnations) that serve as primary political jurisdictions, shape the development of local institutional environment and economy, and whose political boundary coincides with their institutional boundary (Chan, Makino, & Isobe, 2010). In China, there are 31 provinces which have been widely-used in IB studies (Chan et al., 2010; Lu et al., 2014a). Thus, cross-regional investment is defined as an investment in a region outside of the firm's headquarter region. With substantive variations of institutional disparity among regions caused by economic reform and fiscal decentralization in China (Chan et al., 2010; Lu et al., 2014a; Meyer, 2008), Chinese MNCs serve as an excellent research context to examine the proposed relationships in this study.

The rest of the paper is organized as follows. In the following section, we

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[1] The statistic in the report was only available since 2002.

introduce the theoretical foundation and develop our hypotheses. Then, we present our empirical strategy and report our results. This brings us to our discussions and conclusions.

THEORETICAL FOUNDATION

International experience and speed of internationalization

Fast foreign expansion can help MNCs catch growth opportunities and increase profitability in overseas markets (Gao & Pan, 2010). However, maintaining a high speed of internationalization is not without cost. Compared with local companies, MNCs face a high level of liability of foreignness derived from unfamiliarity with local institutions, discriminatory treatment inflicted on foreign firms and higher administrative costs of managing operations at a distance (Eden & Miller, 2004; Zaheer, 1995). Such costs may inhibit MNCs' quick expansions.

Meanwhile, accumulating international experience enables firms to obtain the knowledge needed to overcome these disadvantages and engage more actively in faster market expansions (Chang & Rhee, 2011; Gao & Pan, 2010; Lyles et al., 2014; Nadolska & Barkema, 2007). Through their operations abroad, MNCs can gradually obtain local knowledge that enables them to access institutional knowledge about local government rules, norms and values, and internationalization knowledge about managing complexity and diversity associated with overall foreign expansions, as well as business knowledge about customers, markets and competitors (Eriksson et al., 2015; Gao & Pan, 2010; Johanson & Vahlne, 1977). As such, MNCs with a better understanding of the foreign environment will perceive less risk and thus increase their speeds of internationalization (Casillas & Moreno-Menéndez, 2014; Gao & Pan, 2010). In addition, MNCs with experiential knowledge can also reduce their cognitive efforts needed to tackle foreign operation issues, speeding up the decision process of

each new overseas operation (Nadolska & Barkema, 2007). However, the beneficial effect of experience is based on the prerequisites that prior experience can be correctly interpreted and appropriately applied to subsequent activities (Zeng, Shenkar, Lee, & Song, 2013). Correct interpretation requires drawing correct inferences from prior experience without misspecifying the connections between actions and outcomes, while appropriate application emphasizes on considering the context similarity by correctly matching prior experience with the specific context (Levitt & March, 1988; Perkins, 2014). Therefore, we expect that domestic cross-regional experience, as a moderator, can influence the interpretation and application efficiency of international experience so as to shape the relationship between international experience and the speed of internationalization.

Domestic experience and internationalization: commonalities and differences
An implicit assumption in prior studies about international experience is that the prerequisite of international experience accumulation is through making direct investment abroad (Casillas & Moreno-Menéndez, 2014; Gao & Pan, 2010; Johanson & Vahlne, 1977; Nadolska & Barkema, 2007). However, this assumption may be problematic because it ignores other potential sources of experience. As such, in a study of American multinational firms, Wilkins (1974: 436) argues, "the growth of the firm's global operations has historically been an aspect of the development of its business at home."

Such an issue has been noted in some studies that begin to pay attention to the role of domestic experience in shaping MNCs' strategy and performance. For example, Cuervo-Cazurra (2011) and Lyles et al. (2014) find that China's FDI has yielded rich international knowledge so that domestic firms can benefit from their foreign partners in their home market. Hong and Lee (2015) also argue that making joint ventures with foreign partners, particularly when both are in the same cultural cluster, will increase

the likelihood of initial investment in the focal host country. However, it is worth noting that FDI is only one source of domestic experience that has been predominantly addressed in prior studies. MNCs can also learn and accumulate expertise useful for operating internationally from making investments across regions at home, which is still understudied in the existing literature.

International experience and domestic cross-regional experience to some extent involve similar experiential learning processes in practice. *Domestic experience,* in our study, is the experiential knowledge and expertise that are developed and accumulated through cross-regional investments in the home country and then can be used in the foreign expansion (Lu et al., 2014a; Welch & Wiedersheim-Paul, 1980). Thus, both ways of accumulating experience are kinds of business investments by geographical expansion and would address significant institutional, cultural and market uncertainties across diverse locations, despite the difficulty for international investments seems to be higher than that for domestic ones in most cases. Interestingly, for emerging countries such as China, there are huge institutional differences and cultural diversities among different regions (Cuervo-Cazurra, 2011; Liu et al., 2014). For example, Boisot and Meyer (2008) find that Chinese local protectionism and inefficient domestic logistics among regions increase the costs of doing business domestically. Yi, Chen, Wang, and Kafouros (2015) and He, Wei, and Xie (2008)find there are great differences among regions in China in terms of intellectual property rights protection, market development, and international openness. In this sense, consistent with Welch and Wiedersheim-Paul (1980) and Lu et al. (2014a), internationalization could be viewed as a type of extrapolation of domestic expansion experience to overseas operations.

However, international investments and domestic investments also present differences. In prior internationalization process studies (e.g., Cuervo-Cazurra et al.,

2007; Eriksson et al., 2015; Johanson & Vahlne, 1977), it is implicitly agreed that internationalization is different from domestic investments in terms of resource commitment and institutional context. On the one hand, MNCs need to commit tremendous resources compare to those displayed in the domestic markets to not only cover additional costs associated with the liability of foreignness, but also to learn, sustain and oversight overseas operations at a distance (Cuervo-Cazurra et al., 2007; Johanson & Vahlne, 1977; Vahlne & Johanson, 2017; Zaheer, 1995). When MNCs face resource constraints, they may be reluctant to tolerate mounting costs associated with internationalization, but could still be possibly willing to expand their investments at home. On the other hand, essentially, "*international management is a management of distance*" (Zaheer, Schomaker, & Nachum, 2012:19); this means that the myriad differences of institutions between the home country and foreign country make internationalization a more complicated process than investing in domestic markets (Cuervo-Cazurra et al., 2007; Karafyllia & Zucchella, 2017). A number of distance studies have supported that institutional distance, culture distance or psychic distance have significant impacts on international business strategies and performance (e.g., Kogut & Singh, 1988; Kostova et al., 2020; Salomon & Wu, 2012; Williams & Grégoire, 2015; Xu & Shenkar, 2002). Therefore, in addition to the above commonality effect, it is necessary to consider how the resource commitment and institutional differences between international investments and domestic investments affect the joint impacts of domestic experience and international experience on internationalization speed. Our three-way moderations in the study are designed to address this.

The conditions of experiential learning in domestic and international settings
A large number of international business studies argue that experience cannot automatically or constantly bring increasing benefits for firms (Barkema &

Drogendijk, 2007; Castellaneta & Zollo, 2015; Haleblian & Rajagoplan, 2006; Nadolska & Barkema, 2007). Although domestic experience may benefit international expansion as we discussed above, we argue that the extent to which domestic experience may help them to speed up international expansion depends upon three critical premises, namely *'resource competition problem'*, *'inertia problem'* and *'match problem'*, from organizational learning theory and the internationalization process model[2] (Johanson & Vahlne, 1977; Levitt & March, 1988; Vahlne & Johanson, 2017).

First, there is a potential resource competition problem when concurrently accumulating and applying international experience and domestic cross-regional experience for further investments. Accumulating and applying experience consumes resources (Johanson & Vahlne, 2009; Johanson & Vahlne, 1977; Levitt & March, 1988; March, 1991), and the process of accumulation is also costly (Cyert & March, 1963; Vahlne & Johanson, 2017). As mentioned, to succeed in foreign markets, MNCs, on the one hand, must invest a large number of resources into foreign operations (e.g., offices, personnel, and marketing). On the other hand, MNCs' managers with limited attention have to pay substantial efforts to understand each foreign market, which will divert their attention from the home market (Ocasio, 1997; Vahlne & Johanson, 2017). Hence, when a firm pursues a quick international expansion strategy while simultaneously safeguarding its domestic position in the home country, it always faces a trade-off between resources used for international experience and/or domestic experience (Pellegrino & McNaughton, 2017; Sapienza, Clercq, & Sandberg, 2005).

Second, the inertia problem will occur during the process of accumulating

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[2] We noted that some models from international new ventures (INVs) literature could also support some of our arguments. As our focus of the paper is MNCs in general, the consideration of internationalization process model and learning theory could offer a more comprehensive framework to support the mentioned three premises. We think our general conclusions in the study could also apply to INVs.

experience (Hannan & Freeman, 1984; Levitt & March, 1988). Among a large pool of experience within the organizations, frequently used practices are more easily to be evoked (Levitt & March, 1988). Through the repetition of the same activities, firms experience fewer cognitive processes, which may result in "competency traps" and thus limit possibilities for accumulating new capabilities (Leonard-Barton, 1992; Levitt & March, 1988). This is because the relatively mindless reproduction of existing alternatives makes firms less motivated to try other novel alternatives, and therefore fail to recognize fresh opportunities, or else suffer from inappropriate application of knowledge (Levinthal, 1991; Piao & Zajac, 2016; Schilke, 2014). Following this logic, a large quantity of repetitive domestic investments may prevent decision-makers from experiencing variations and sensing the necessary change of domestic knowledge.

Third, match problem may occur when to misapply prior experience in a different context. The process of accumulating and applying experience is path-dependent in nature. Thus, even with sufficient resources, the extent of the transferability of experiential knowledge within organizations determines the variances of learning outcomes (Levitt & March, 1988). Schilke (2014) argues that the condition for exploiting past experience is that the new environment setting needs to be in an 'in-family' state: a situation similar to that previously experienced. When firms are in an 'out-of-family' state, a 'matching problem' occurs to weaken the efficient transfer of their existing knowledge. Specifically, the international environment is full of uncertainties and risks (Williams & Grégoire, 2015; Zaheer, 1995). If MNCs impose homegrown mindsets and procedures on foreign operations without making flexible adjustments, the problem of miscommunication, tension and missed opportunities will occur (Nadolska & Barkema, 2007; Perkins, 2014).

Importantly, we further distinguish between two types of domestic experience:

repetition-based experience and diversity-based experience. Theoretically, repetition

and diversity are two important yet different sources of accumulating experience. On

the one hand, as discussed in a large amount of literature about experiential learning,

firms can accumulate experience through the repetition of a certain task and thus

enhance efficiency or improve competence (Anand, Mulotte, & Ren, 2016; Argote,

1999; Cyert & March, 1963; Fiol & Lyles, 1985; Gao & Pan, 2010; Levitt & March,

1988; Nadolska & Barkema, 2007), so called "*Practice makes perfect*". The similar

idea in Fiol and Lyles (1985)'s study is called "*Low-level learning*", which captures

the repetition and routine-based features of the learning process. In our setting, the

repetition-based experience is accumulated by increasing the number of cross-

regional investments at home. Through the repetition of cross-regional investments,

firms can generate some general knowledge about how to make new investments in a

new region. Thus, this dimension of domestic experience emphasizes more on

extracting general and common knowledge for guiding future investments in

geographically and institutionally distant locations. On the other hand, there is a

growing body of research suggesting that firms can also develop experience from

experiencing variations (Easterby‐Smith, Crossan, & Nicolini, 2000; Eisenhardt &

Martin, 2000; Goerzen & Beamish, 2003; Mayer, Stadler, & Hautz, 2015). This is

similar to the idea of learning components in terms of scope, breadth and diversity in

Vasudeva and Anand (2011)'s research. In this sense, we define *diversity-based*

experience as experience accumulated and developed through exposure to

institutionally-diversified regional environments. Through learning in institutionally

diverse environments at home, firms can develop expertise about managing

uncertainties and complexities with flexibility so as to respond to the changes in a

highly dynamic context (Cuervo-Cazurra, 2011; Lee & Makhija, 2009), so called

"*The man of the world*". Taking all of the above together, we argue that whether

domestic experience will encourage or discourage the role of international experience

in shaping the speed of internationalization depends upon the types of domestic cross-

regional experience, and the extent to which a firm can avoid the negative influence

of the above three experiential learning problems. Figure 1 is our overall research

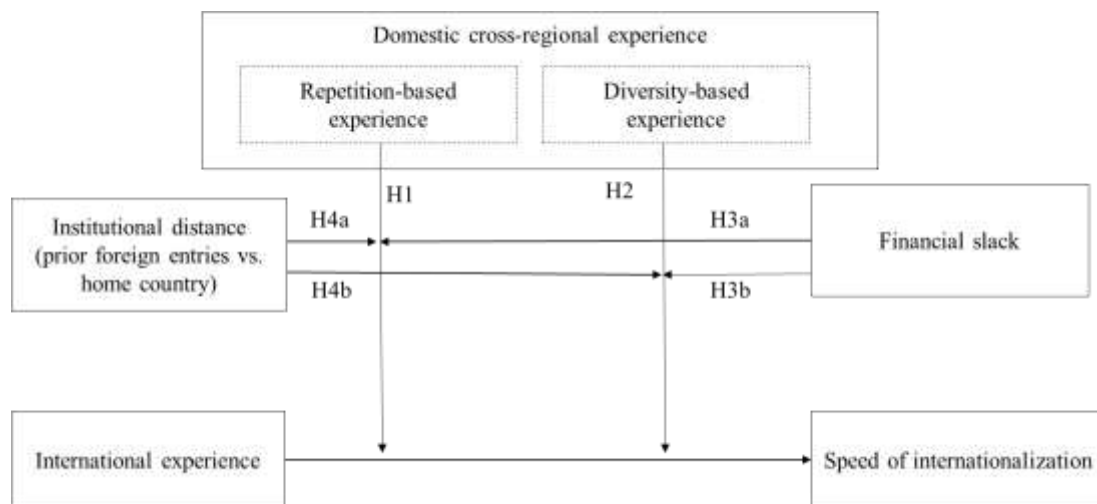model in this study.

Figure 1 Research model

HYPOTHESES DEVELOPMENT

Repetition-based experience, international experience and speed of internationalization

In large emerging economies, high economic growth potential for cross-regional

expansion and a high competitive pressure coexist (Luo & Wang, 2012). In such

circumstances, many firms in emerging economies are making huge cross-regional

investments to squeeze domestic market margins, while they are also on the way to internationalization for catching more market opportunities (Dawar & Frost, 1999). However, we expect that repetition-based experience would weaken the positive effect of international experience on the speed of internationalization due to the following reasons.

First, making more cross-regional investments might evoke resource competition problems. As we know, the interpretation, application, and maintaining international experience consume a large number of organizational resources. More specifically, firms have to make a substantial financial investment in setting up a new foreign subsidiary or joint venture with a local partner and simultaneously tackling the liability of foreignness (Eden & Miller, 2004; Johanson & Vahlne, 1977). Managers also have to make significant efforts to analyze where to invest, which mode to use as well as retarding their attention for domestic investments in order to ensure the running business of foreign subsidiaries (Karafyllia & Zucchella, 2017; Sapienza et al., 2005). It should be noted that in large emerging markets such as China, the costs of cross-regional investments at home might sometimes be significantly high because of cross-regional diversity and regional protectionism by local governments (Boisot & Meyer, 2008; Young, 2000). Consequently, investing more in cross-regional expansion at home is likely to make fewer resources available for MNCs to spend on exploiting internationalization experience in international expansions. In addition, a firm's attention is selectively distributed among differently competing organizational activities (Cyert & March, 1963; Ocasio, 1997). Frequent domestic investments may consume a large part of managers' attention. Meanwhile, quick internationalization also demands huge amounts of resources and attention from top managers to appropriately interpret and exploit their existing internationalization experience in new foreign investments. Such attention distraction would greatly weaken the positive

effect of international experience on the speed of internationalization.

Second, inertia problems and mismatch problems will hinder a firm from efficiently interpreting and applying international experience and thus weaken its ability to make the best use of international knowledge to expand abroad quickly. As we discussed above, repetition-based experience equips firms with some general routines for starting a business in a new location such as how to choose the location, how to get permission from the government, and how to find customers and suppliers (Cuervo-Cazurra, 2011). It will be useful to some extent for international expansion as there are some similarities in the nature between them (Lu et al., 2014a). However, once a firm set routines for cross-regional investments at home, it is more inclined to repeat past practices rather than experiment with new alternatives (Karafyllia & Zucchella, 2017; Levinthal, 1991; Schilke, 2014). As noted by Levinthal and March (1993:102), "organizations engage in activities at which they are more competent with greater frequency than they engage in activities at which they are less competent". Such inertia within firms makes them confident about their existing knowledge base even they are going abroad (Hannan & Freeman, 1984). They are more likely to automatically apply such an inertial learning pattern to international expansion without exploring other novel solutions. As foreign operations are often much riskier and more uncertain than domestic ones (Johanson & Vahlne, 1977), firms with limited ability to adapt to the new environment are more likely to suffer from mismatching their prior knowledge to new settings (Eisenhardt & Martin, 2000; Levinthal & March, 1993). Therefore, we posit that:

Hypothesis 1（H1）: Everything else being equal, repetition-based experience at home will negatively moderate the relationship between international experience and the speed of internationalization.

Diversity-based experience, international experience and speed of

internationalization

Given a certain level of resource consumption in domestic markets, firms can accumulate domestic experience through operating within similar institutional environments, or through exposing themselves to institutionally diversified regions. We argue that diversity-based experience will have a positive moderating effect on the relationship between international experience and the speed of internationalization.

Diversity-based domestic experience can help MNCs to overcome the inertia and mismatch problems associated with exploiting their internationalization experience in fast overseas expansions. When MNCs invest in institutionally diversified regions in the domestic market, they need to address various types of regional systems, customers, political frameworks, rules and norms (Yi et al., 2015). Such experience allows firms to build a rich knowledge pool for geographically dispersed operations, including different responses to segmented customers' demands, different reactions to diverse competitors, and different solutions with local suppliers and government (Lu et al., 2014a). A diverse experiential knowledgebase can stimulate firms to combine and explore new solutions for new problems rather than focusing on an individual cause (Haunschild & Sullivan, 2002). Meanwhile, when going abroad, MNCs are exposed to significant unanticipated changes, political risks, and operational conditions (Allen & Pantzalis, 1996; Delios & Henisz, 2003; Erkelens, Hooff, Huysman, & Vlaar, 2015). Thus, accumulating experience through variations at home allows MNCs to be more likely to adopt a flexible learning pattern in the international context, such as how to handle differences among diverse institutions, cultures and markets (Arregle, Miller, Hitt, & Beamish, 2016; Mayer et al., 2015). MNCs' decision-makers are more sensitive to set appropriate strategies in responding to highly variant environments and less likely to persist in old routines of international knowledge (Eisenhardt & Martin, 2000). Then, firms can more efficiently exploit

their international experience with a reduced inertia problem and mismatch problem and thus an accelerated speed of internationalization.

Furthermore, diversity-based experience at home also serves as a training ground for MNCs to develop a certain type of transferrable capability. As firms have to face greater risks associated with new foreign contexts, firms experiencing diversified regions at home are more likely to develop the expertise to manage uncertainties and complexities in a new context, which can help MNCs to better avoid misinterpreting and mismatching internationalization experience in fast internationalization (Arregle et al., 2016; Cuervo-Cazurra et al., 2007; Mayer et al., 2015). This is consistent with Dow, Cuypers, and Ertug (2016) research, which uses the term "*cognitive complexity*" and argues that linguistic diversity and religious diversity in the acquirer's home country will make decision-makers face a high level of cognitive complexity in which they are more aware of the difficulties arising from language and religious differences as well as the need to address those difficulties proactively. In addition, given the high level of managerial complexity among institutionally diverse regions, firms have to analyze and integrate huge amounts of information about divergent stakeholders, and manage at a distance, coordinate and relocate different resources to respond differentiated demands (Cuervo-Cazurra, 2011; Lu et al., 2014a). In doing so, firms may adjust their structure and develop capabilities to coordinate a variety of teams, functions, and business operations. Such capabilities are useful for internationalization as firms expanding quickly into various countries also have to manage and coordinate a multinational network of subsidiaries with diversified sources of information at a distance (Chang & Rhee, 2011). Taken together, we hypothesize that,

Hypothesis 2 (H2): Everything else being equal, diversity-based experience will

positively moderate the relationship between international experience and the

speed of internationalization.

Domestic experience, international experience and financial slack

As mentioned above, domestic investments and international investment are generally different in terms of resource commitment and institutional context. In most cases, international investment requires more resources and adaptation to a new institution setting than the domestic one (Cuervo-Cazurra et al., 2007; Johanson & Vahlne, 1977). Therefore, even the commonality brings detracting and enhancing moderation effects on the relationship between international experience and internationalization speed; the salience of the proposed moderation effects also depends on the differences between international investments and domestic investments. Accordingly, we argue that resource availability in terms of financial slack and institutional distance between prior foreign entries and the home country will serve as important contingent factors to moderate the interactive relationship between domestic cross-regional experience and international experience.

MNCs always make decisions with limited resources. The presence of abundant financial slack will be a cushion of actual or potential resources for firms to adapt to internal and external pressures (Bourgeois, 1981). We content that the three-way moderation effect of financial slack is through two mechanisms, namely the buffering mechanism and the opportunity-capturing facilitation mechanism. On the one hand, abundant financial slack will motivate firms to engage in multiple complicated activities. As discussed earlier, accumulating domestic experience and international experience may have a resource-competition effect. Firms engaging more in domestic investments may constrain their capabilities to invest more in international experience. With high levels of financial slack, firms have enough cash, facilities and employees available to simultaneously consider different paths (Cyert & March, 1963). Relevant learning tasks, which would otherwise not have been approved in the

face of resource scarcity, will now be well funded (Lin, 2014; Tyler & Caner, 2016). Hence, sufficient financial slack leads to a weakened resource competition effect between repetition-based experience and international experience.

On the other hand, high levels of financial slack also enable firms to induce slack search so as to result in more innovative ideas and changes (Lin, 2014). When managers perceive a high level of resource surplus, they are more likely to launch new and risky initiatives (Bradley, Shepherd, & Wiklund, 2011; Singh, 1986). In doing so, the negative effect from the inertia problem and mismatch problem will be alleviated as MNCs are less likely to stick to old routines, and instead embrace a more flexible learning pattern for exploiting international experience. As a result, MNCs with more innovative alternatives will break from the existing knowledge and efficiently compete in an environment with greater boldness. Based on the two reasons, we propose that:

Hypothesis 3a (H3a): The negative moderating effect of repetition-based experience on the relationship between international experience and the speed of internationalization will be less pronounced when firms have high levels of financial slack.

Similarly, as diversity-based experience at home facilitates the development of flexibilities when exploiting international experience, a high level of financial slack provides firms with the autonomy and resources necessary to explore new solutions and opportunities (Tyler & Caner, 2016). Thus, in this case, MNCs are more willing to change international strategies flexibly in responding to high-velocity environments. In addition, although diversity-based experience helps firms establish certain capabilities for managing uncertainty and complexity, the heightened risks and uncertainties of the overseas environment also require firms to have excess resources

to ensure the efficient exploitation and effective transfer of such capabilities. As such, high levels of financial slack can serve as a support to motivate firms to engage heavily in transferring their capabilities abroad. Otherwise, firms suffering from resource constraints will be less motivated to exploit their domestic market experience even they know how. Thus, we propose that:

Hypothesis 3b (H3b): The positive moderating effect of diversity-based experience on the relationship between international experience and the speed of internationalization will be more pronounced for firms with high levels of financial slack.

Domestic experience, international experience and institutional distance

Accumulating and exploiting experience is path-dependent in that what a firm learns in one context defines its feasibility of operating in the next where the context is similar (Eriksson, Majkgård, & Sharma, 2000). However, the effectiveness of exploiting existing experience depends on the similarity between the previous context and the current situation (Argote, 1999; Perkins, 2014). Institutional distance, defined as the degree of dissimilarity between the regulative, cognitive, and normative institutions of two contexts, has been widely used to explain the effectiveness of the transfer of organizational practices from home country to a foreign country (Kostova, 1999; Xu & Shenkar, 2002).

When the institutional distance between previous foreign entries and the home country is large, institutional rules and norms for overseas business activities will conflict with those of the home country (Chan et al., 2010; Kostova, 1999). Under such circumstances, firms experience more challenges transferring domestic knowledge to internationalization because MNCs' practice and routines are largely shaped by their home-country institutions. In distant foreign countries, the way to

respond to different legitimate actors is different from that in the home country (Xu & Shenkar, 2002). MNCs who are very familiar with experiential routines in home operations may encounter severe inertia problems.

Specifically, with regard to the interactive relationship between repetition-based experience and international experience, the institutional differences between prior foreign entries and the home country can lead to a heightened resource competition problem. One of MNCs' competitive advantages is achieving economies of scale by transferring knowledge from the parent firm to different host country locations (Cuervo-Cazurra et al., 2007; Kostova, 1999). However, in increasingly different institutions, MNCs have to invest significant resources to overcome the challenge of knowledge transfer (Chao & Kumar, 2010). In this case, the perceived competition for different sources of experiential learning is substantially salient. Firms may be more likely to focus on domestic expansions, which are more predictable and controllable. Thus, the efforts and investment for accumulating and applying international experience decrease and thus lead to a lower level of internationalization speed. Based on this line of argument, we propose that:

Hypothesis 4a (H4a): The negative moderating effect of repetition-based experience on the relationship between international experience and the speed of internationalization will be more pronounced when the institutional distance between prior foreign entries and the home country is large.

Diversity-based experience can shape a firm's abilities to flexibly manage uncertainty and complexities for foreign operations. However, these home-developed capabilities are not always transferrable (Cuervo-Cazurra et al., 2007). We argue that institutional distance between previous entries and the home country will impede the efficient transfer of capabilities developed. When contexts are institutionally

dissimilar, the capabilities developed at home may be in conflict with those in foreign locations (Perkins, 2014). Even for firms that know how to apply some general rules to respond to different stakeholders, the institutional distance still makes them more likely to misestimate the different effects of institutional environment on their business operations and misapply knowledge for going abroad (Barkema & Drogendijk, 2007). In contrast, in similar institutions, MNCs have an advantage to precisely predict and mitigate new institutional condition challenges (Kostova, 1999). As such, they can more efficiently apply home-based knowledge to foreign operations and manage uncertainties and complexities across different locations. Thus, we argue that:

Hypothesis 4b (H4b): The positive moderating effect of diversity-based experience on the relationship between international experience and the speed of internationalization will be less pronounced when the institutional distance between prior foreign entries and the home country is large.

METHODOLOGY

Sample and data

We test our hypotheses under the context of China. We firstly constructed an OFDI event data set by manually matching two secondary sources. First, we used records of outward FDI (OFDI) events from the Ministry of Commerce of China (MOC). MOC is a major ministry at the central government level approving and managing Chinese OFDI (Luo, Xue, & Han, 2010). This data source provides a brief profile of each OFDI event conducted by Chinese firms (e.g., investment location, industry, date of approval, and line of business, etc.). Second, based on information about the firm's name and its foreign subsidiary's information, we matched the firms' OFDI records from MOC with the annual reports of Chinese firms listed in the Shanghai and

Shenzhen stock exchange (Lu, Liu, Wright, & Filatotchev, 2014b). After merging these two data sources, we excluded the following entry events from our dataset: (1) foreign entry event in terms of offices and representative institutions in the host country, because such entries need very little commitment; (2) the listed firm holds less than twenty percent of the equity of the subsidiary; and (3) investments projects in Hong Kong, Macau and any other tax havens because OFDI to these destinations is driven by tax considerations (Hampton & Christensen, 2002). In the end, we created an OFDI event dataset, including 1,906 OFDI events by 323 Chinese manufacturing listed firms in the period of 1970-2014. Then, we use the list of 323 Chinese listed firms to construct a set of firm-year unbalanced-panel data during the period of 2001-2014 for testing our hypotheses. The reason for using 2001 as the starting year is that China became a member of World Trade Organization (WTO) in 2001 and implemented "Go Global" policy (Buckley et al., 2007; Luo et al., 2010). Since then, China has experienced substantial growth in OFDI (Buckley et al., 2007).

The information about domestic subsidiaries of these Chinese firms was manually retrieved from each firm's annual reports, which contain information about firms' domestic subsidiaries in terms of their locations, industries, and equities held by their parent firms. For firm-level financial data, we relied on the China Stock Market and Accounting Research (CSMAR) database and crosschecked with the WIND database, which has been widely used in recent years (Lu et al., 2014a; Shi, Sun, Pinkham, & Peng, 2014). For country-level data, we used data from the World Bank. We also collected province-level data from the China Industrial Census data and the China Statistical Yearbooks. After lagging one year for dependent variables, moderators and controls in the regression and accounting for the missing value for our main variables, we finally have 1358 observations of 302 Chinese listed firms between 2001 and 2014. Table A2 in the Appendix reports the country distribution of foreign subsidiaries

of our sample firms.

Measurement

Speed of internationalization. Two measurements of speed of internationalization have been widely used in prior studies. Some studies measure it as the number of years since the founding of the firm to its first foreign sales (Khavul, Pérez-Nordtvedt, & Wood, 2010; Ramos, Acedo, & Gonzalez, 2011), and other studies measure it as the number of foreign subsidiaries divided by the number of years since the firm's first foreign expansion (Batsakis & Mohr, 2017; Lin, 2014; Vermeulen & Barkema, 2002). Since the former one only refers to speed as time and discards the central aspects of the internationalization process of firms (i.e., market knowledge and commitment) (Chetty, Johanson, & Martín, 2014), we adopted the latter one as it captures both the degree and the temporal dimension of foreign investments. In doing so, a large average number of expansions per year indicated a faster internationalization speed.

International experience is measured as the natural log of the number of foreign subsidiaries conducted prior to the focal entry. This is a widely-used measure reflecting the extent of learning that a firm acquires from engaging in foreign markets (Barkema & Drogendijk, 2007; Casillas & Moreno-Menéndez, 2014; Gao & Pan, 2010; Hayward, 2002; Nadolska & Barkema, 2007).

Domestic cross-regional experience. We use two dimensions to test the influence of domestic cross-regional experience on the speed of internationalization. First, we measure *repetition-based experience* as the cumulative number of cross-regional operations in the home market before the focal year, except for the region where the parent firm is located. This measure captures the frequency of cross-regional investments. Second, to capture the institutional differences across different regions, we measure diversity-based experience in a more refined way. As there are many missing values for domestic subsidiaries' size, we treat every domestic investment as

contributing equally to knowledge. Thus, we use scores of institutional environments as weights for each domestic operation and the specific formula of *diversity-based domestic experience* of firm *i* in year *t* as follows:

$$DDE_{it} = \frac{\sqrt{\sum_{j=1,k}^{J,K}(ID_{ijk} - \frac{\sum_{j=1,k}^{J,K} ID_{ijk}}{J})^2}}{\sum_{j=1,k}^{J,K} ID_{ijk}/J}$$

where *J* represents the total number of regions in which firm *i* has already entered before year t, and ID_{ijk} is the institutional score for region *j* entered in year *k*. The earliest domestic operations start in 1997 in our sample. The upper formula calculates the standard deviation of institutional scores, and the lower one is the average institutional scores for firm *i* in year *t*. The higher the value of DDE_{it}, the higher the level of diversity-based experience of firm *i* in year *t* is. The level of institutional environment in each region is measured by using marketization index scores developed by (Fan, Wang, & Zhu, 2016). This marketization index captures the following aspects: 1) the relationship between government and markets; 2) the development of non-state sectors in the economy; 3) the development of factor markets; 4) the development of product markets and 5) the development of market intermediaries and the legal environment during the period between 1997 and 2014. We reduced these five dimensions into a single one by employing the first principal component, which explains 65% of the variance and then calculated diversity-based experience.

Financial slack is measured in a similar way as in Liu, Lin, and Cheng (2011) and Dasí, Iborra, and Safón (2015), which calculate the ratio of current assets to current liabilities. A higher value of financial slack indicates a greater ability to meet the immediate resources needs of MNCs.

Institutional distance is measured as the absolute difference in institutional scores between prior foreign entries and the home country. We use the World Governance Indicators (WGI) of the World Bank, which have been utilized in a wide range of studies of the impact on institutions on firms' internationalization decisions (Ang, Benischke, & Doh, 2015; Cantwell, Dunning, & Lundan, 2010). The dimensions of WGI include voice and accountability, political instability and violence, government effectiveness, regulatory quality, the rule of law, and control of corruption. Overall, the six dimensions address various aspects of the institutional environment, such as political, civil and human rights, market restrictions, predictability of legal decisions, and law in action and corruption (Kaufmann, Kraay, & Mastruzzi, 2005). The database covers 209 countries and territories from 1996 to 2015, and the scores range from -2.5 to 2.5 (the higher the score is, the sounder the institutional environment is). We take the average value of the abovementioned six dimensions to measure institutional distance because principal component analysis results show that above 85% of these dimensions can be explained by one factor. Thus, we first calculate the average institutional scores of MNC's prior foreign entries, and then take the absolute difference value between average score and the home country (China) score. A higher value indicates a large institutional distance between prior entries and the home country.

Control variables. To eliminate potential confounding effects, we include a set of region-level, industry-level, and firm-level control variables. As the economic differences among different regions in China are huge, we include the logged-transformed *region GDP per capita and region GDP growth rate* of the focal firm's headquarter location to control for the effect of economic development in that region on the internationalization strategies (Liu et al., 2014). In addition, as the spillover effect from FDI will facilitate the information diffusion of overseas business

opportunities and then speed up the internationalization (Gu & Lu, 2011), we control

for *FDI* as the percentage of the total amount of money of FDI in a certain region

divided by GDP of the region. We also control for *Region export ratio* as the

government in the export-oriented region are more likely to support local firms'

internationalization (Xie & Li, 2018). We measure region export ratio as the total

export volume in a region divided by the total export-import volume within the

region. At the industry level, the intensity of domestic competition may push firms to

expand their markets quickly. Then, we follow Ho, Wu, and Xu (2011) to use four-

firm concentration ratios (CR4) for measuring *Home competition intensity,* which

equals the percentage of total sales occupied by the top four largest firms in the same

two-digit industry. A lower value of the variable indicates a greater extent of

competition within the industry in the domestic market. At the firm level, as firms

with high levels of state ownership may have a high level of resource availability

from the government for quick expansion, we control for *state ownership* as the

percentage of shares owned by the government (Pan et al., 2014). As firm size also

indicates a strong capability position and rich availability of resources to deal with

extensive internationalization, we also control for *firm size* and measure it as the

logarithm of the sales in a given year (Lin, Cheng, & Liu, 2009). Since older firms

have higher commitment levels and are relatively experienced for internationalization,

we control for *firm age* and measure it as the number of years since a firm's first

operation (Lyles et al., 2014). Moreover, firms with a higher value of Tobin's-q in the

preceding year will have more resources and will be more inclined to take the risk of

rapid international expansion in the current year. Anand et al. (2016) find the

"selection effects" of experience, which indicates that a strong performance will

increase a firm's likelihood of persisting with prior activities. Thus, the *prior one-year*

performance of firms is controlled (Lin, 2014). The literature has suggested that

exposure to diverse foreign countries will influence the speed of internationalization of firms (Casillas & Moreno-Menéndez, 2014); thus, we control for *International diversity* by using the same formula as the above diversity-based experience and calculated as the following,

$$Interntional \; diversity_{it} = \frac{\sqrt{\sum_{j=1,k}^{J,K}(Institution_{ijk} - \frac{\sum_{j=1,k}^{J,K} Institution_{ijk}}{J})^2}}{\sum_{j=1,k}^{J,K} Institution_{ijk} / J}$$

where *J* represents the total number of foreign investments firm i made before year t, and Institution$_{ijk}$ is the institutional score for the country *j* entered in year *k*. We use WGI of the World Bank for institutional scores.

In addition, the timing between the first foreign investment and the first domestic cross-regional investment will affect how much firms can learn from domestic investments. Therefore, we control for *Year difference* by taking the difference between the first year of foreign investment and the first year of domestic cross-regional investment. The higher value of the variable indicates the firms started cross-regional investments earlier than foreign investments. Meanwhile, the top management team (TMT) plays an essential role in the firm's international strategies. As noted by Liu et al. (2014), a TMT with a higher ownership level of firms is more inclined to risk-taking in internationalization. We control for *TMT ownership* as the sum of equities owned by each TMT member in a given firm. As the diversified international experience of the TMT will result in a wider range of international knowledge for international expansion (Lu et al., 2014a), we control for *TMT international experience diversity*, and measured it as the sum of the number of foreign countries where TMT member has worked or studied. Finally, to capture the time effects, we also include a set of year dummies in our model.

Estimation methods

To choose an appropriate estimation method, there are two characteristics of our model that need to be considered. First, due to the path-dependence effect of internationalization speed (Casillas & Moreno-Menéndez, 2014; Johanson & Vahlne, 1977), the speed of internationalization in *t-1* year will influence the focal-year speed of internationalization. In other words, the simple linear regression fails to adequately capture the dynamics of firm expansion. Thus, we have to add the lagged dependent variable of speed of internationalization in our regression model, and this lagged dependent variable may be correlated with the error term, creating a potential estimated bias in coefficients (Kennedy, 2008). Second, the potential interdependence between domestic experience and international experience in our model will cause an endogeneity problem. To simultaneously solve the above problems, we follow the approach introduced by Arellano and Bond (1991) and conduct dynamic panel data (DPD) methods. We use lagged values of speed of internationalization in the model. The coefficients can be efficiently calculated through the GMM estimator. As the inconvenience of system GMM involves the "weak instruments problem" and "many instruments problem" coming from the over-sized instruments (Girod & Whittington, 2017), after comparing a series of tests results and following Pollock, Lee, Jin, and Lashley (2015)'s research, we prefer to use the difference GMM estimator. To do this, we use the "xtabond2" Stata command and "noleveleq" command in Stata code to minimize the risk of instruments proliferation. The following are the estimation model:

$$
\begin{aligned}
\text{Internationalization\_speed}_{it} \\
= \text{Internationalization\_speed}_{it-1} + \text{International experience}_{it-1} \\
+ \text{Repetitivity} - \text{based experience}_{it-1} \\
+ \text{Diversity} - \text{based experience}_{it-1} + \text{Interactions}_{it-1} \\
+ \text{Controls}_{it-1}
\end{aligned}
$$

where Internationalization_speed$_{it}$ stands for the speed of internationalization of firm i in year t, and interactions$_{t-1}$ represents all two-way and three-way interactions we propose in our hypotheses. To mitigate the multicollinearity issue in estimating our two-way and three-way interactions, we use centered variables in the regressions.

RESULTS

Main results

Table 1 presents means, standard deviations, and correlations of all variables. The sample firms vary significantly in terms of firm age, financial slack, international experience, and repetition-based experience. With regards to correlations, it is shown that the correlations among all variables are under 0.631. The highest value of variance inflation factors in all models is 6.43, well below 10, the acceptable cut-off point (Neter, Kutner, Nachtsheim, & Wasserman, 1996; Pollock et al., 2015). Thus, the multicollinearity is not a major concern in our study.

Insert Table 1 about here

Table 2 reports the results of the DPD estimation. In all DPD models, the significant results of F-tests ($p < 0.01$) and insignificant results ($p > 0.1$) of serial correlation test (AR (2)) and Hansen tests ($p > 0.1$) offering support for the appropriateness of DPD model specifications. Model 1 is the baseline model. Among firm-level controls, firm size is significantly positive (0.0354, $p < 0.01$) to the speed of internationalization while the sign for firm age (-0.0484, $p < 0.01$) and state ownership (-0.0276, $p < 0.05$) is significantly negative. It interestingly shows that although the government plays an important role in Chinese firms going abroad, it does not necessarily invoke a quick foreign expansion (Buckley et al., 2007). Importantly, we find that the prior-year speed of internationalization has a significant

negative influence (-0.2089, $p < 0.01$) on the focal-year one, which indicates a decreasing rate of internationalization speed. Similar to prior studies, international experience significantly increases the speed of foreign expansion (0.5511, $p < 0.01$).

Insert Table 2 about here

Model 2 tests our Hypothesis 1 which assumes that the positive relationship between international experience and the speed of internationalization will be weakened for firms with high levels of repetition-based experience. The coefficient on the interaction between repetition-based experience and international experience (*IE × RE*) is negatively significant (-0.0117, $p < 0.01$) and thus supports our Hypothesis 1. In addition, the significantly positive coefficient on the interaction (0.0562, $p < 0.01$) between diversity-based experience and international experience (*IE × DE*) in Model 5 supports our Hypothesis 2. In Model 3, the three-way interaction among financial slack, repetition-based experience and international experience (*IE × RE × FS*) is significantly positive (0.006, $p < 0.01$). It means the sufficient resources of firms mitigate the tension between repetition-based experience and international experience, supporting Hypotheses 3a. Similarly, in Model 6, the three-way interaction among financial slack, diversity-based experience and international experience (IE × DE × FS) is also positively significant (0.0402, $p < 0.01$), supporting our Hypotheses 3b.

Model 4 and Model 7 present statistic supports for Hypotheses 4a and 4b. In Model 4, the coefficient on the three-way interaction among institutional distance, repetition-based experience and international experience (*IE × RE × ID*) are significantly negative (-0.007, $p < 0.01$). It suggests that when institutional distance between prior foreign entries and the home country is large, the negative interaction

between repetition-based experience and international experience is more pronounced, supporting our Hypotheses 4a. This also holds for the three-way interaction among institutional distance, diversity-based experience and international experience ($IE \times DE \times ID$) in Model 7 (-0.0724, $p < 0.01$). Thus, Hypothesis 4b receives support.

To gain further insights into these findings, we also plotted the related interaction results based on the results of Table 2. More specially, we drew Figure 2 and 3 based on Model 2 and 5 respectively, Figure 4 based on the results of Model 3 (4a, 4b) and Model 6 (4c, 4d) respectively, and Figure 5 based on the results of Model 4 (5a, 5b) and Model 7 (5c, 5d) respectively. High levels of the variable indicate that we calculated it as mean plus one standard deviation while the low levels refer to mean minus one standard deviation. As shown in Figure 2, holding all other variables constant, it clearly shows a negative slope when repetition-based experience increases from the low level to the high level while there is a positive slope in Figure 3 when diversity-based experience moves from the low level to the high level, consistent with our Hypothesis 1 and 2. Figures 4 and 5 exhibit the three-way interaction effects of financial slack and institutional distance. The comparison between Figure 4a and 4b reveals that, holding all other variables constant, the negative moderation effect of repetition-based experience is only salient when a firm has low levels of financial slack (Figure 4a) while the positive moderation effect of diversity-based experience is more profound when a firm has high levels of financial slack (Figure 5b). Thus, our Hypothesis 3a and 3b are supported. From Figure 5a and 5b, we can find that holding

all other variables constant, the negative moderation effect of repetition-based experience is more profound when the institutional distance is large (Figure 5b). This finding is opposite to that for the positive moderation effect of diversity-based experience, as reported in Figures 5c and 5d. These results are consistent with our Hypothesis 4a and 4b.

Insert Figure 2,3,4,5 about here

Robust tests

Several tests were conducted to ensure that our findings are robust and consistent. First, as the flow measurement of internationalization speed may be more likely to do with the capture of new knowledge while the stock one may be more likely to do with the accumulativeness of existing knowledge, such a difference between the stock and flow measure may influence the generalizability of our assumptions in the paper. To test this, we replace the dependent variable with the flow measure of speed of internationalization and replicate the DPD model, as presented in Table 2. We measure the *flow of speed of internationalization* in year *t* by taking the difference between the speed of internationalization in year *t* and the speed of internationalization in year *t-1*. A higher value means higher speed of internationalization rate. As shown in Table 3, with exceptions of Model 5 and Model 6, the results of all models are still consistent, which suggests that most of our hypotheses are still hold regardless of different measurements. For the results in the Model 5 and Model 6, the non-significant results may indicate that if firms expand at an accelerated rate of speed, international experience itself is impactful enough regardless of low levels or high levels of diversity-based experience and financial

slack.

Another cause of concern about potential endogeneity in our analyses is because there may exist interdependence between international experience and domestic experience. To tackle this issue, in Table 1, we see the low correlation coefficients for international experience with repetition-based experience (0.364, $p < 0.01$) and with diversity-based experience (0.109, $p < 0.01$). To further confirm this, we replace international experience with a new variable that is highly related to international experience but unrelated to repetition-based experience and diversity-based experience and conducted the DPD model with the same specifications. We choose the top management team's (TMT) *international experience depth* as a substitute for international experience in the model and measure it as the total number of members who have international experience. In our sample, TMT's international experience depth is highly correlated with firm-level international experience (0.493, $p < 0.01$) but correlated much less with repetition-based experience (0.183, $p < 0.001$) and diversity-based experience (-0.003, $p > 0.1$). In Table 4, the results are consistent with our main results, confirming that the interdependence is not a major concern in our study.

Lastly, according to Anand et al. (2016), experience may be tinged with both a learning effect and a selection effect in which the ignorance of the latter one will bring about incorrect conclusions for our hypotheses. To address such a potential endogeneity issue and simultaneously compare the results of different panel model estimations, we conducted a fixed effects panel model with domestic experience's instrumental variables (IVs) (Bascle, 2008). We generate two instruments by calculating the average value of repetition-based experience and diversity-based experience at the two-digit industry level. Then, we simultaneously incorporate these

two industry-level instruments and the one-year lagged terms of repetition-based experience and diversity-based experience as instrumental variables into the model estimation. The results show that our instruments are appropriate and the findings are consistent with our DPD model (fixed effects results are available from the authors on request). In other words, after controlling a selection effect, our hypotheses remain robust.

CONCLUSIONS AND DISCUSSION

The existing literature has attached increasing attention to the interesting phenomenon of the accelerated pattern of internationalization in MNCs from emerging countries (Mathews & Zander, 2007; Satta et al., 2014). Additionally, as noted by Barkema, Joel, and Mannix (2002), capabilities related to speed and diversity appear central to answer the important question about what organizational capabilities allow firms to learn to compete effectively and adapt quickly to today's dynamic competitive environment. In line with these research streams, the present study seeks a better understanding of the relationship between domestic cross-regional experience and international experience in determining the speed of internationalization. Specifically, we explored how different dimensions of domestic cross-regional experience will affect the relationship between international experience and the speed of internationalization, and under what conditions such interactions will be more pronounced. Our study contributes to the fields of international business and organizational learning theory in the following ways.

Contributions to speed of internationalization studies

First, our study provides an alternative to explain the mixed findings on the relationship between international experience and the speed of internationalization in existing studies. While previous studies have well-documented the impacts of

international experience on the speed of internationalization (Casillas & Moreno-Menéndez, 2014; Gaba et al., 2002; Gao & Pan, 2010; e.g., Nadolska & Barkema, 2007), the empirical evidence are quite inconsistent. We argue that such mixed findings may be caused by the ignorance of a vital source of learning for international expansion, i.e., domestic cross-regional investments which share commonalities with international investments and thus have the potential to shape the actual relationship between international experience and the speed of internationalization. Whether domestic cross-regional experience functions as an enhancing or detracting factor to international experience will be determined by how seriously the "resource-competition problem," "inertia problem," and "mismatch problem" will occur. By incorporating domestic cross-regional experience as an important contingency, we thus extend the international experience-speed of internationalization research.

In addition, our study also extends the home-based experience literature by linking domestic cross-regional experience to international experience. Previous studies exclusively focus on the role of international experience in internationalization speed with an implicit assumption that the prerequisite for overseas operations is accumulating direct experience abroad. Some recent studies attempt to revise this assumption and take home-based experience into consideration, with a primary focus on the spillover effects of alliance partners or neighboring companies' international knowledge or engagement with foreign companies in the home market (Cuervo-Cazurra, 2011; Gu & Lu, 2011; Hong & Lee, 2015; Liu et al., 2016; Lyles et al., 2014; Satta et al., 2014). Our study has explored a neglected learning source for internationalization, i.e., making cross-regional investments in the home country. Domestic cross-regional experience is different from FDI. The essence of learning from FDI at home is the reliance on foreign partners (Gu & Lu, 2011; Satta et al., 2014). In contrast, in line with Welch and Wiedersheim-Paul (1980) and Lu et al.

(2014a), the underlying mechanism we argue for domestic cross-regional experience is how domestic cross-regional operations serve as a training ground for their future international expansion. Therefore, our present study fills the gap and extends the home-based experience literature in international business studies.

More importantly, our simultaneous consideration of commonalities and differences between domestic investments and international investments in the study highlights a more fine-grained view of how MNCs learn from both international and domestic investments to speed up their foreign expansions. It should be noted that both existing studies about international experience (Casillas & Moreno-Menéndez, 2014; Gao & Pan, 2010; Johanson & Vahlne, 2009; Johanson & Vahlne, 1977; Nadolska & Barkema, 2007) and domestic experience studies predominantly focus on the direct effect of international or domestic experience on internationalization strategy in a separated way (Cuervo-Cazurra, 2011; Hong & Lee, 2015; Lu et al., 2014a; Lyles et al., 2014), downplaying the potential interactions between domestic experience and international experience in determining the speed of internationalization. In this study, we test our ideas by considering the commonalities and the differences between domestic investment and international investment in an integrative framework. On the one hand, we find that domestic cross-regional investments share basic commonalities with international investments that may detract or enhance the impact of international experience on internationalization speed. On the other hand, such moderation effects are contingent on the differences between international investments and domestic investments in terms of resource commitment and institutional similarity. The significant three-way moderation effects of financial slack and institutional distance confirm the assumptions. We believe that our study could serve as a strong case to comprehensively understand how MNCs internationalize through the interplay of learning at home and learning abroad.

Contribution to organizational learning research

Our study contributes to the organizational learning perspective in the internationalization context by purposively differentiating two dimensions of domestic experience. Hotho, Lyles, and Easterby‑Smith (2015) state that even organizational learning and global strategy share common themes and interests; learning-related contributions in global strategy rarely find their way into organizational learning literature. In this study, we go deeply to answer the question about "*how the experience is accumulated from different ways* (i.e., repetition or diversity)" and propose that the moderating effects vary with different dimensions of domestic experience. Traditional organizational learning theory suggests that organizations enjoy an increasing learning curve derived from prior routine-based experience (Argote, Beckman, & Epple, 1990; Levitt & March, 1988). In international business contexts, Johanson and Vahlne (1977) also suggest that the accumulation of international experience will reduce the liability of foreignness abroad and facilitate multinationals' sequential overseas operations. Our study reveals a more complex pattern of experience effects on the speed of internationalization and confirms that domestic cross-regional experience can act as either enhancing or detracting factors to international experience in shaping internationalization strategy. We find that repetition-based experience will negatively moderate the relationship between international experience and the speed of internationalization, while diversity-based experience can function as a facilitator to international experience in increasing the acceleration of internationalization.

Moreover, our study also responds to Nadolska and Barkema (2007)'s call for more research into when a given type of experience is useful or detrimental and goes a further step to test the boundary conditions for the different interactions between domestic experience and international experience. Financial slack can mitigate the

tension between repetition-based experience and international experience while strengthening the positive interaction between diversity-based experience and international experience. In the same vein, we also find that when the institutional distance between prior foreign entries and the home country is small, the negative interaction between repetition-based experience and international experience will be mitigated, and the positive interaction between diversity-based experience and international experience will be more salient. This is consistent with Perkins (2014)'s research that prior experience pays only when target institutional environments are similar to those encountered in prior institutional experience. In sum, we offer new insights into global contexts and extend the organizational learning theory.

Contributions to home-country effect studies in emerging countries

Our study responds to the recent call for paying more attention to the impact of home-country characteristics on a firm's foreign expansion, especially for firms from emerging countries (Cuervo-Cazurra & Genc, 2008; Ramamurti, 2012). However, existing studies mainly attribute the success of firms from emerging countries to their deep understanding of customer needs at home, their ability to make products and services at low cost, their ability for 'good enough' products, their political capabilities established at home, and government support (Buckley et al., 2007; Cuervo-Cazurra & Genc, 2008; Cui & Jiang, 2012; Lu et al., 2014b). It ignores how the institutional variance in the home country shapes MNCs' capabilities to go abroad. This is also addressed by Ramamurti (2012), who advocates more studies can be done to test how the home country context shapes the ownership advantages of firms and make them different from developed market ones. In our study, by identifying the enhancing role of diversity-based experience, we test how firms exploit homegrown capabilities for overseas expansion and extend the understanding of the home country effects by exploring the role of proactive capability building

through cross-regional investments at home.

Practical implications

This study also offers some practical guidance to multinational managers. First, particularly for firms from large emerging economies, managers need to consider how to efficiently exploit accumulated knowledge gained through domestic cross-regional investments to offset their insufficient overseas experience and thus facilitate their accelerated the speed of internationalization. In the meantime, considering the problems of resource competition, organizational inertia, and context mismatch with domestic experience, managers also have to bear in mind that there are possible detracting effects on international experience when they are applying domestic knowledge to guide internationalization.

Additionally, as our results show that there is a positive moderating effect of diversity-based experience on the speed of internationalization, multinational managers can consciously make domestic investments in some regions that are institutionally distant. In doing so, managers need to strategically change their minds from purely financial performance considerations to an essential foundation of developing certain capabilities for accelerated internationalization. Finally, our results also warn managers to take their resource conditions and institutional difference into consideration when dealing with the relationship between domestic experience and international experience. In this way, firms can appropriately balance the replications and decoupling between international experience and domestic experience.

LIMITATIONS AND FUTURE RESEARCH DIRECTION

There are several limitations to this study, which suggest interesting areas for future research. First of all, our sample in this study is limited to Chinese manufacturing multinationals. Although China is characterized as diversified institutions across

regions, further research is required to test our arguments based on various developed countries and industry settings. In doing so, we can validate our results in different national institutions and build a better understanding of how different institutions affect domestic regional expansion and international expansion. Another promising context exploration would be international new ventures (INVs) where the speed of internationalization has been one of the center topics (De Clercq, Sapienza, Yavuz, & Zhou, 2012; Knight & Cavusgil, 2004). We believe the application of our framework to such specific groups of firms would shed new insights on INVs' learning process of internationalization.

Next, although we have controlled for certain factors indirectly in the study, we were not able to precisely capture the motivation underlying domestic investments and international investments. Future studies may test whether our findings are robust after directly controlling for the real motivations behind both domestic and international investments. Besides, although we have considered financial slack as important boundaries for foreign expansion, the size of the investment also influences the speed of internationalization since large investments need more time and resources, that in turn, may slow down the speed. However, due to data availability, we were not able to capture the scales of foreign investments. We think it is promising for future internationalization speed studies to consider such size effect. In addition, learning in its all forms is related to individuals. Although we have controlled for top managers' characteristics, we are still not able to sufficiently capture the impact of the individual manager's behavior on the predicted relationship due to data availability. In the future, researchers could conduct qualitative studies to offer more fruitful insights on the individual-level factors determining the speed of internationalization.

Furthermore, as our study is a new attempt to understand the role of domestic cross-

regional investments in internationalization, the count measure of international experience and repetition-based experience is more accessible but may not perfectly capture the sequence of domestic investment and international investment. For example, some firms may internationalize before expanding cross-regionally. Although we have controlled for the year difference between first internationalization and the first cross-regional investment, future studies can build on our research, develop more refined measurements and retest our predicted relationships.

Finally, regardless of the result consistency between the stock measure and flow measure of internationalization speed, our results still show a slightly stronger support in the stock dimension of internationalization speed than the flow one. We think there may be a subtle theoretical difference between flow and stock variables. For instance, accumulated experience in our study may be more influential on the stock dimension rather than the flow one because the latter is more sensitive to new and direct international knowledge. Future studies may extend this line of research and test what contingencies will make one measurement be more salient than the other.

Table 1 Descriptive statistics and correlation matrix

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11
1. Speed of internationalization_stock	0.61	1.45	1										
2. Speed of internationalization_flow	-0.01	0.63	0.001	1									
3. Lagged_speed of internationalization_stock	0.44	0.57	0.631	-0.225	1								
4. Lagged_speed of internationalization_flow	0.14	1.04	0.438	-0.176	0.295	1							
5. International experience[a]	0.60	0.71	0.483	0.045	0.502	0.095	1						
6. Repetition-based experience	6.46	5.24	0.281	0.011	0.300	0.008	0.364	1					
7. Diversity-based experience	0.52	0.33	0.06	-0.018	0.086	0.029	0.109	0.436	1				
8. Financial slack	1.91	2.67	-0.022	0.004	0.012	0.004	-0.022	-0.149	-0.071	1			
9. Institutional distance	0.91	0.82	0.235	-0.021	0.466	0.090	0.454	0.146	0.078	0.085	1		
10. Firm size[a]	8.37	1.37	0.206	-0.004	0.195	0.001	0.268	0.378	0.151	-0.173	0.139	1	
11. Firm age	13.90	5.03	-0.142	-0.026	-0.081	-0.077	0.054	-0.031	0.064	-0.077	-0.077	-0.055	1
12. International diversity	0.40	2.21	0.171	0.015	0.190	0.028	0.198	0.103	0.005	-0.032	0.078	0.062	0.006
13. Year difference	1.46	6.00	-0.004	-0.030	0.029	0.022	-0.202	0.186	0.233	-0.103	-0.134	-0.098	0.251
14. State ownership	0.12	0.21	-0.02	0.015	-0.001	0.017	-0.009	-0.051	-0.047	-0.088	-0.015	0.103	-0.198
15. Prior one-year performance	1.52	1.36	-0.112	0.032	-0.141	-0.023	-0.156	-0.178	-0.056	0.247	-0.065	-0.208	-0.157
16. TMT ownership	0.04	0.11	-0.009	-0.039	-0.022	0.042	-0.067	-0.134	-0.072	0.244	0.060	-0.180	-0.186
17. TMT international experience diversity	1.15	1.88	0.231	-0.019	0.257	-0.007	0.281	0.128	-0.045	0.022	0.178	0.185	-0.104
18. Home competition intensity	0.38	0.25	0.046	-0.025	0.021	-0.028	0.089	0.065	0.055	0.000	0.084	0.018	0.041
19. Region GDP per capita[a]	10.60	0.57	0.042	-0.026	0.122	0.016	0.099	0.122	0.062	0.103	0.191	-0.087	0.161
20. Region GDP growth rate	0.11	0.02	-0.017	0.013	-0.096	0.001	-0.091	-0.084	-0.049	-0.125	-0.124	0.032	-0.068
21. Region FDI	0.54	0.42	0.025	-0.003	0.008	0.016	0.013	0.041	0.074	-0.011	0.027	-0.163	0.015
22. Region export ratio	0.56	0.15	-0.028	-0.010	-0.095	-0.003	-0.069	-0.149	-0.051	-0.062	-0.134	-0.077	0.091

Variable	12	13	14	15	16	17	18	19	20	21	22
12. International diversity	1										
13. Year difference	-0.031	1									
14. State ownership	-0.054	-0.14	1								
15. Prior one-year performance	-0.036	-0.017	-0.095	1							
16. TMT ownership	-0.042	-0.109	-0.163	0.142	1						
17. TMT international experience diversity	0.173	-0.118	0.001	-0.010	0.023	1					
18. Home competition intensity	-0.040	-0.069	-0.13	-0.134	0.074	0.075	1				
19. Region GDP per capita	0.048	0.095	-0.263	-0.016	0.156	0.114	0.111	1			
20. Region GDP growth rate	-0.021	-0.036	0.246	0.144	-0.147	-0.086	-0.172	-0.508	1		
21. Region FDI	0.020	0.050	0.181	-0.026	-0.002	0.030	-0.113	0.365	-0.102	1	

| 22. Region export ratio | | 0.014 | 0.035 | -0.161 | 0.060 | 0.024 | -0.179 | 0.015 | -0.326 | 0.179 | -0.256 | 1 |

Note. N=1358. ª Natural logarithm. The absolute value of correlation coefficients greater than 0.054 is significant at the 0.05 level.

Table 2 Dynamic panel regression predicting the speed of internationalization

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
International experience (IE)	0.5511***	0.5615***	0.5513***	0.7239***	0.5412***	0.5806***	0.6727***
	(0.0060)	(0.0063)	(0.0080)	(0.0130)	(0.0055)	(0.0067)	(0.0152)
Repetition-based experience (RE)	0.0010*	0.0011	-0.0044***	-0.0077***	-0.0001	-0.0015**	-0.0030***
	(0.0006)	(0.0008)	(0.0010)	(0.0011)	(0.0007)	(0.0007)	(0.0009)
Diversity-based experience (DE)	-0.0526***	-0.0474***	-0.0445***	-0.0269***	-0.1043***	-0.0902***	-0.2041***
	(0.0042)	(0.0047)	(0.0061)	(0.0051)	(0.0062)	(0.0073)	(0.0116)
Financial slack (FS)	0.0036***	0.0034***	0.0074***	0.0017***	0.0041***	0.0061***	0.0029***
	(0.0007)	(0.0007)	(0.0016)	(0.0004)	(0.0008)	(0.0017)	(0.0005)
Institutional distance (ID)	0.1855***	0.4453***	0.5473***	0.5736***	0.1832***	0.1947***	0.1683***
	(0.0070)	(0.0625)	(0.0612)	(0.0581)	(0.0060)	(0.0063)	(0.0083)
IE × RE (H1)		-0.0117***	-0.0159***	-0.0146***			
		(0.0027)	(0.0027)	(0.0026)			
IE × FS			-0.0269***			-0.0387***	
			(0.0033)			(0.0038)	
RE × FS			-0.0001				
			(0.0005)				
IE × RE × FS (H3a)			0.0060***				
			(0.0005)				
IE × ID				-0.2086***			-0.0840***
				(0.0083)			(0.0092)
RE × ID				0.0143***			
				(0.0006)			
IE × RE × ID (H4a)				-0.0070***			
				(0.0008)			
IE × DE (H2)					0.0562***	0.0436***	0.1085***
					(0.0059)	(0.0051)	(0.0070)
DE × FS						-0.0036*	
						(0.0022)	
IE × DE × FS (H3b)						0.0402***	
						(0.0050)	
DE × ID							0.1727***
							(0.0128)

IE × DE × ID (H4b)							-0.0724***
							(0.0060)
Lagged_speed of internationalization_stock	-0.2089***	-0.2071***	-0.2134***	-0.2132***	-0.2083***	-0.2103***	-0.1937***
	(0.0020)	(0.0019)	(0.0024)	(0.0021)	(0.0019)	(0.0020)	(0.0021)
Firm size	0.0354***	0.0378***	0.0367***	0.0389***	0.0339***	0.0339***	0.0304***
	(0.0017)	(0.0020)	(0.0026)	(0.0020)	(0.0015)	(0.0021)	(0.0020)
Firm age	-0.0484***	-0.0447***	-0.0529***	-0.0495***	-0.0595***	-0.0535***	-0.0644***
	(0.0050)	(0.0059)	(0.0055)	(0.0056)	(0.0056)	(0.0055)	(0.0049)
International diversity	0.0024***	0.0022***	0.0025***	0.0034***	0.0027***	0.0020***	0.0045***
	(0.0005)	(0.0005)	(0.0004)	(0.0004)	(0.0005)	(0.0005)	(0.0004)
Year difference (domestic cross-region investment vs. foreign investment)	0.0000**	0.0000	0.0000	0.0000	0.0000	0.0000*	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
State ownership	-0.0276**	-0.0355***	-0.0211**	-0.0196*	-0.0143	-0.0194*	-0.0367***
	(0.0108)	(0.0104)	(0.0102)	(0.0111)	(0.0113)	(0.0114)	(0.0098)
Prior one-year performance	0.0068***	0.0067***	0.0042***	0.0034***	0.0065***	0.0066***	0.0021***
	(0.0008)	(0.0008)	(0.0008)	(0.0008)	(0.0007)	(0.0007)	(0.0007)
TMT ownership	0.0033	0.0499	0.0420	-0.0243	0.0161	0.0060	0.0029
	(0.0563)	(0.0545)	(0.0489)	(0.0412)	(0.0552)	(0.0547)	(0.0648)
TMT international experience diversity	-0.0170***	-0.0161***	-0.0159***	-0.0136***	-0.0163***	-0.0196***	-0.0160***
	(0.0009)	(0.0009)	(0.0011)	(0.0011)	(0.0009)	(0.0008)	(0.0011)
Home competition intensity	-0.0762***	-0.0615***	-0.0878***	-0.0762***	-0.0817***	-0.0875***	-0.0980***
	(0.0155)	(0.0153)	(0.0156)	(0.0154)	(0.0157)	(0.0157)	(0.0184)
Region GDP per capita	-0.1120***	-0.1377***	-0.0531	-0.0261	-0.0201	-0.0685	0.0168
	(0.0375)	(0.0408)	(0.0436)	(0.0450)	(0.0445)	(0.0427)	(0.0420)
Region GDP growth rate	1.3635***	1.4067***	1.1572***	1.1108***	1.2899***	1.2669***	1.2451***
	(0.1391)	(0.1299)	(0.1284)	(0.1095)	(0.1167)	(0.1309)	(0.1292)
Region FDI	-0.0191	-0.0210	-0.0214	-0.0047	-0.0311*	-0.0237	-0.0266
	(0.0172)	(0.0159)	(0.0157)	(0.0148)	(0.0159)	(0.0179)	(0.0186)
Region export ratio	-0.1636***	-0.1454***	-0.0920***	-0.1802***	-0.1015**	-0.0501	-0.1539***
	(0.0498)	(0.0470)	(0.0347)	(0.0419)	(0.0484)	(0.0539)	(0.0461)
Observations	1358	1358	1358	1358	1358	1358	1358
F test	3.2e+07***	1.9e+07***	3.3e+07***	9.4e+07***	8.4e+06***	1.1e+08***	1.8e+07***

The *p*-value of Arellano-Bond for AR(1) in first differences	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
The *p*-value of Arellano-Bond for AR(2) in first differences	0.4560	0.5071	0.6560	0.7604	0.4818	0.5130	0.6260
The *p*-value of Hansen J statistic	0.6600	0.5661	0.5877	0.5045	0.6138	0.5520	0.4429

Note. Robust standard errors in parentheses. Year dummies are included in all models. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 3 Robust test: dynamic panel regression predicting the speed of internationalization (flow measure)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
International experience (IE)	0.2987***	0.2957***	0.0483**	0.3111***	0.3104***	0.2833***	0.0502**
	(0.0087)	(0.0109)	(0.0227)	(0.0367)	(0.0244)	(0.0254)	(0.0219)
Repetition-based experience (RE)	-0.0658***	-0.0628***	-0.0698***	-0.0383***	-0.0682***	-0.0667***	-0.0635***
	(0.0034)	(0.0041)	(0.0055)	(0.0035)	(0.0036)	(0.0032)	(0.0033)
Diversity-based experience (DE)	0.1492***	0.1269***	0.1124***	0.0802***	0.1750***	0.1734***	0.0264
	(0.0089)	(0.0115)	(0.0140)	(0.0146)	(0.0247)	(0.0276)	(0.0226)
Financial slack (FS)	0.0018	0.0058	-0.0211***	0.0101**	-0.0002	0.0006	0.0014
	(0.0046)	(0.0054)	(0.0060)	(0.0051)	(0.0047)	(0.0033)	(0.0046)
Institutional distance (ID)	0.1836***	0.3422***	0.0619	-0.3568**	0.1826***	0.1809***	0.1555***
	(0.0096)	(0.0884)	(0.1494)	(0.1403)	(0.0094)	(0.0092)	(0.0105)
IE × RE (H1)		-0.0076*	0.0059	0.0229***			
		(0.0040)	(0.0069)	(0.0064)			
IE × FS			0.0064			0.0026	
			(0.0070)			(0.0100)	
RE × FS			0.0053***				
			(0.0018)				
IE × RE × FS (H3a)			0.0054***				
			(0.0013)				
IE × ID				0.1833***			0.1197***
				(0.0258)			(0.0093)
RE × ID				0.0018			
				(0.0019)			
IE × RE × ID (H4a)				-0.0282***			
				(0.0025)			
IE × DE (H2)					-0.0028	0.0044	0.2143***
					(0.0300)	(0.0349)	(0.0220)

DE × FS						-0.0069	
						(0.0091)	
IE × DE × FS (H3b)						0.0113	
						(0.0130)	
DE × ID							0.1810***
							(0.0258)
IE × DE × ID (H4b)							-0.1492***
							(0.0114)
Lagged_speed of internationalization_stock	-0.0589***	-0.0598***	-0.0388***	-0.0650***	-0.0602***	-0.0574***	-0.0598***
	(0.0010)	(0.0013)	(0.0008)	(0.0011)	(0.0010)	(0.0010)	(0.0009)
Firm size	-0.0141***	0.0016	-0.0100*	-0.0185***	-0.0140***	-0.0129**	-0.0549***
	(0.0048)	(0.0058)	(0.0054)	(0.0059)	(0.0048)	(0.0052)	(0.0065)
Firm age	0.0499***	0.0373**	0.0509***	0.0509***	0.0422**	0.0353**	0.0558***
	(0.0176)	(0.0166)	(0.0176)	(0.0165)	(0.0173)	(0.0173)	(0.0142)
International diversity	0.0056***	0.0059***	0.0124***	0.0057***	0.0058***	0.0066***	0.0046***
	(0.0014)	(0.0011)	(0.0016)	(0.0013)	(0.0014)	(0.0014)	(0.0010)
Year difference	-0.0001***	-0.0002***	-0.0001**	-0.0001***	-0.0001***	-0.0001***	-0.0001***
	(0.0000)	(0.0000)	(0.0001)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
State ownership	0.0973***	0.0975***	0.1156***	0.0574**	0.0963***	0.0830***	0.0297*
	(0.0251)	(0.0233)	(0.0303)	(0.0270)	(0.0251)	(0.0257)	(0.0166)
Prior one-year performance	0.0467***	0.0422***	0.0438***	0.0476***	0.0492***	0.0486***	0.0404***
	(0.0028)	(0.0030)	(0.0032)	(0.0036)	(0.0029)	(0.0029)	(0.0018)
TMT ownership	-0.0447	0.0499	0.0278	0.0524	-0.0183	-0.1127	0.0268
	(0.1222)	(0.1273)	(0.1315)	(0.1309)	(0.1203)	(0.1251)	(0.1248)
TMT international experience diversity	0.0233***	0.0255***	0.0344***	0.0167***	0.0219***	0.0227***	0.0230***
	(0.0019)	(0.0025)	(0.0023)	(0.0021)	(0.0019)	(0.0021)	(0.0017)
Home competition intensity	-0.0710*	-0.0464	-0.0000	-0.0402	-0.0655*	-0.0471	-0.0566
	(0.0390)	(0.0365)	(0.0354)	(0.0384)	(0.0385)	(0.0388)	(0.0364)
Region GDP per capita	-1.2329***	-0.9382***	-1.0602***	-1.4942***	-1.1794***	-1.0905***	-1.3795***
	(0.1096)	(0.1175)	(0.1132)	(0.1177)	(0.1096)	(0.1135)	(0.0942)
Region GDP growth rate	0.2358	0.1243	-0.2390	0.7122*	0.2613	0.0940	0.6969**
	(0.3595)	(0.3381)	(0.3662)	(0.4033)	(0.3623)	(0.3409)	(0.2955)
Region FDI	0.1077***	0.1096***	0.1558***	0.0926***	0.1203***	0.1237***	0.1446***
	(0.0204)	(0.0189)	(0.0210)	(0.0216)	(0.0199)	(0.0195)	(0.0150)
Region export ratio	0.3472***	0.5755***	0.6133***	0.2600*	0.3379***	0.2765**	0.4049***

	(0.1191)	(0.1357)	(0.1222)	(0.1516)	(0.1244)	(0.1304)	(0.1168)
Observations	1116	1116	1116	1116	1116	1116	1116
F test	7.3e+07***	3.9e+06***	4.3e+05***	1.7e+06***	4.6e+06***	1.7e+08***	7.4e+06***
The p-value of Arellano-Bond for AR(1) in first differences	0.0218	0.0203	0.0139	0.0222	0.0225	0.0219	0.0219
The p-value of Arellano-Bond for AR(2) in first differences	0.2911	0.2880	0.3199	0.2696	0.2854	0.2922	0.2941
The p-value of Hansen J statistic	0.4803	0.3735	0.5256	0.3396	0.4471	0.4690	0.8977

Note. Robust standard errors in parentheses. Year dummies are included in all models. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 4 Robust test: dynamic panel regression predicting the speed of internationalization (TMT international experience depth replace international experience)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
TMT's international experience depth (TMT_IED)	0.062***	0.027***	0.032***	0.039***	0.038***	0.031***	0.004
	(0.004)	(0.005)	(0.006)	(0.008)	(0.005)	(0.006)	(0.007)
Repetition-based experience (RE)	0.026***	0.020***	0.020***	0.014***	0.024***	0.020***	0.023***
	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)
Diversity-based experience (DE)	-0.089***	-0.090***	-0.082***	-0.082***	-0.102***	-0.112***	-0.131***
	(0.005)	(0.008)	(0.007)	(0.008)	(0.008)	(0.009)	(0.014)
Financial slack (FS)	0.001*	0.001**	0.000	0.001*	0.002**	-0.003	0.001***
	(0.001)	(0.001)	(0.003)	(0.001)	(0.001)	(0.004)	(0.000)
Institutional distance (ID)	0.232***	0.238***	0.235***	0.210***	0.248***	0.243***	0.206***
	(0.006)	(0.007)	(0.007)	(0.011)	(0.008)	(0.008)	(0.013)
TMT_IED × RE		-0.005***	-0.006***	-0.002			
		(0.000)	(0.000)	(0.001)			
TMT_IED × FS			0.002***			0.001**	
			(0.001)			(0.000)	
TMT_IED × FS			0.000				
			(0.001)				
TMT_IED × RE × FS			0.001***				
			(0.000)				
TMT_IED× ID				-0.007			0.034***
				(0.006)			(0.005)
RE × ID				0.006***			
				(0.001)			
TMT_IED × RE × ID				-0.002***			
				(0.001)			
TMT_IED × DE					0.032***	0.041***	0.100***

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				(0.003)	(0.003)	(0.014)
DE × FS					0.004	
					(0.005)	
TMT_IED × DE × FS					0.001***	
					(0.000)	
DE × ID						0.086***
						(0.018)
TMT_IED × DE × ID						-0.057***
						(0.011)
Lagged_speed of internationalization_stock	-0.163***	-0.164***	-0.162***	-0.161***	-0.163***	-0.166***	-0.165***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)
Firm size	0.030***	0.029***	0.024***	0.028***	0.029***	0.025***	0.023***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)
Firm age	-0.025***	-0.030***	-0.029***	-0.030***	-0.028***	-0.031***	-0.039***
	(0.008)	(0.008)	(0.008)	(0.007)	(0.008)	(0.007)	(0.008)
International diversity	0.002**	0.002**	0.002**	0.003***	0.002**	0.003***	0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Year difference	0.000*	0.000	0.000	0.000	0.000	0.000*	0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
State ownership	-0.033**	-0.036**	-0.034**	-0.038***	-0.003	0.009	-0.028*
	(0.016)	(0.016)	(0.015)	(0.014)	(0.017)	(0.018)	(0.015)
Prior one-year performance	-0.002*	0.000	0.000	-0.002*	-0.001	0.002*	-0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
TMT ownership	0.075	0.084	0.039	0.092	0.137**	0.145*	0.048
	(0.060)	(0.068)	(0.079)	(0.067)	(0.069)	(0.078)	(0.077)
TMT international experience diversity	-0.047***	-0.043***	-0.044***	-0.042***	-0.046***	-0.043***	-0.046***
	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)
Home competition intensity	-0.009	-0.012	-0.016	-0.020	-0.020	-0.025	-0.017
	(0.023)	(0.024)	(0.023)	(0.023)	(0.023)	(0.022)	(0.025)
Region GDP per capita	0.094*	0.109*	0.127**	0.148***	0.090*	0.129***	0.221***
	(0.056)	(0.059)	(0.060)	(0.051)	(0.050)	(0.046)	(0.066)
Region GDP growth rate	1.669***	1.631***	1.661***	1.541***	1.739***	1.718***	1.538***
	(0.176)	(0.166)	(0.173)	(0.152)	(0.156)	(0.161)	(0.198)
Region FDI	-0.063***	-0.045***	-0.042***	-0.014	-0.053***	-0.034***	-0.040***
	(0.010)	(0.013)	(0.013)	(0.021)	(0.010)	(0.011)	(0.012)

Region export ratio	-0.371***	-0.339***	-0.367***	-0.265***	-0.387***	-0.374***	-0.414***
	(0.073)	(0.074)	(0.079)	(0.080)	(0.068)	(0.066)	(0.076)
Observations	1358	1358	1358	1358	1358	1358	1358
F test	7.0e+06	5.8e+05	1.1e+06	8.0e+06	2.2e+06	2.1e+06	4.7e+05
The p-value of Arellano-Bond for AR(1) in first differences	0.011	0.009	0.015	0.014	0.016	0.023	0.014
The p-value of Arellano-Bond for AR(2) in first differences	0.751	0.706	0.733	0.727	0.667	0.646	0.610
The p-value of Hansen J statistic	0.733	0.681	0.713	0.641	0.758	0.729	0.574

Note. Robust standard errors in parentheses. Year dummies are included in all models. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$
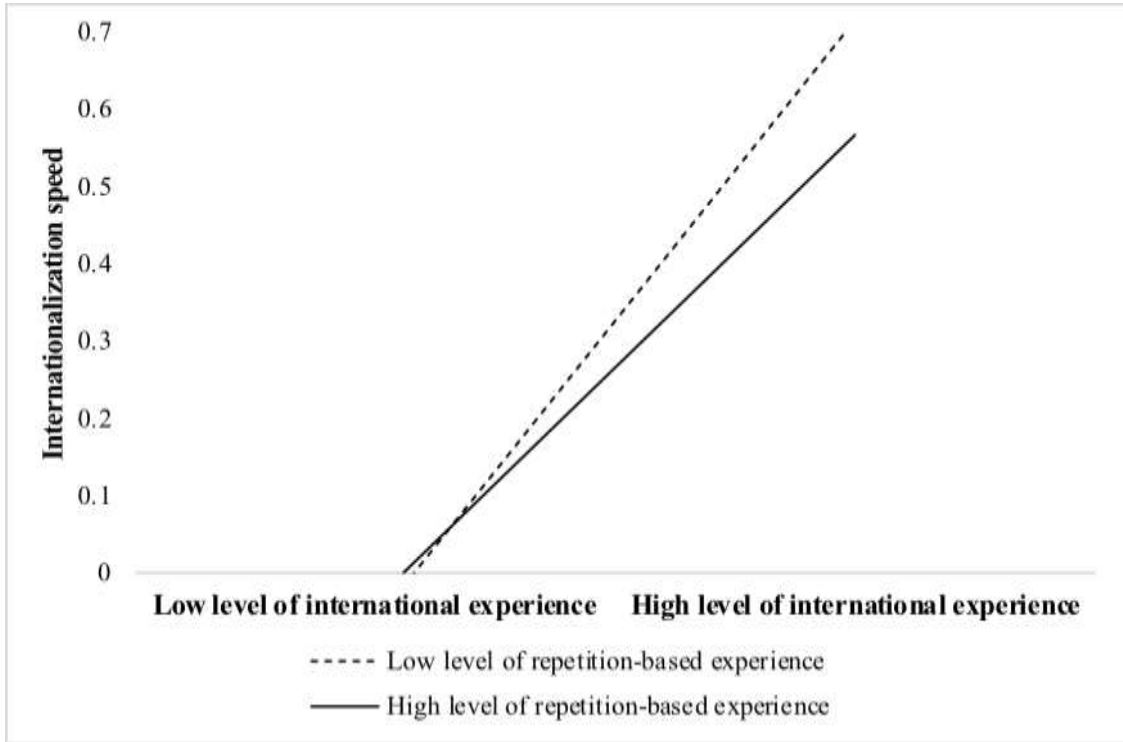
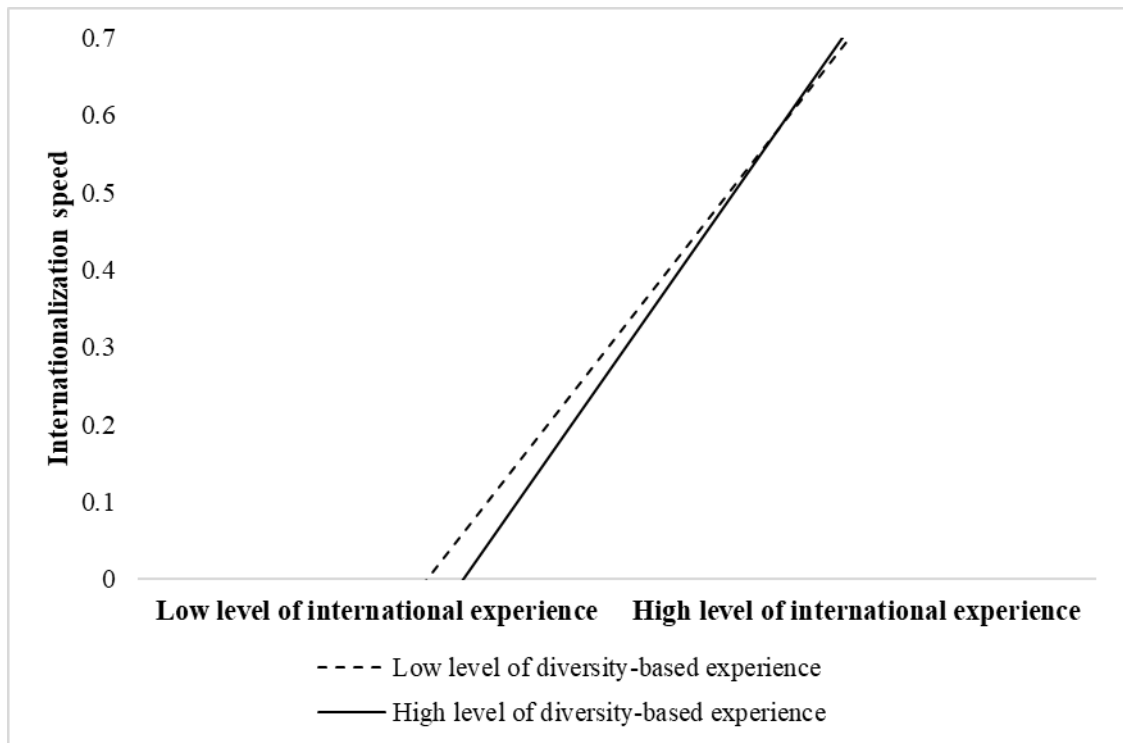Figure 2. The moderating effect of repetition-based experience

Figure 3. The moderating effect of repetition-based experience

4(a)
Internationalization speed
Low level of international experience   High level of international experience
- - - - Low level of financal slack, Low level of repetition-based experience
——— Low level of financal slack, High level of repetition-based experience

4(c)
Internationalization speed
Low level of international experience   High level of international experience
- - - - Low level of financal slack, Low level of diversity-based experience
——— Low level of financal slack, High level of diversity-based experience

4(b)
Internationalization speed
Low level of international experience   High level of international experience
- - - - High level of financal slack, Low level of repetition-based experience
——— High level of financal slack, High level of repetition-based experience

4(d)
Internationalization speed
Low level of international experience   High level of international experience
- - - - High level of financal slack, Low level of diversity-based experience
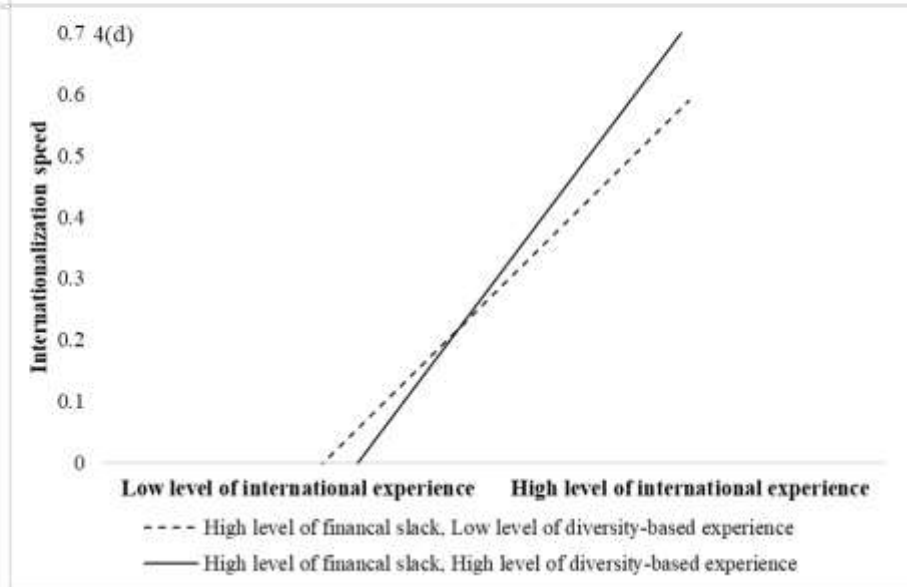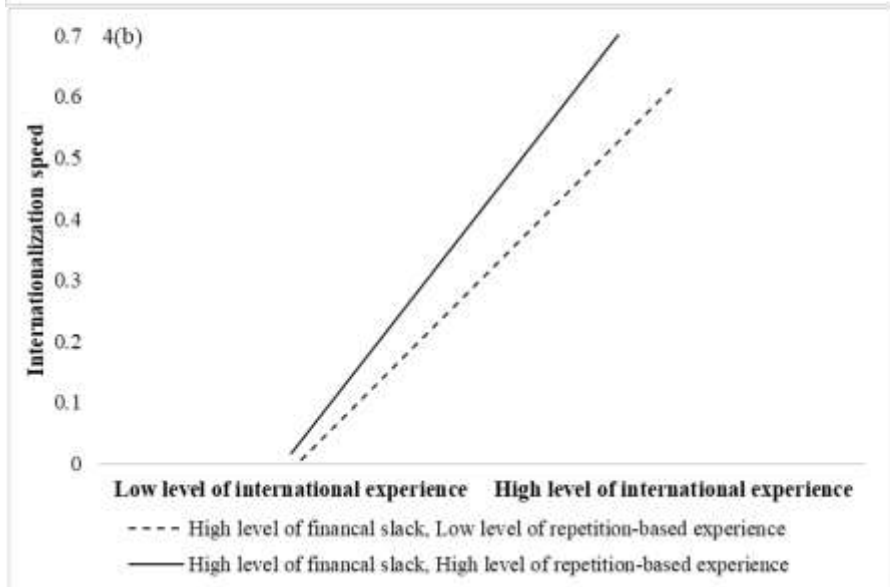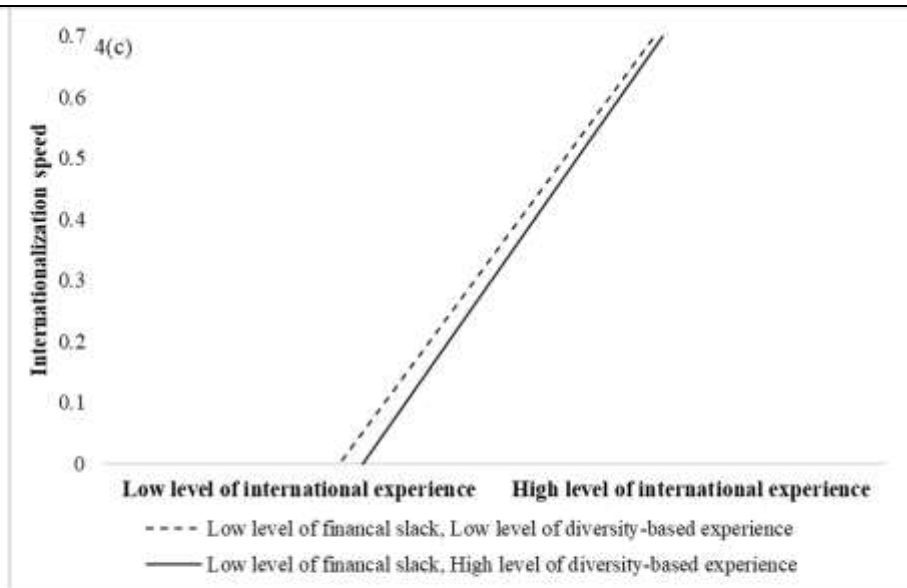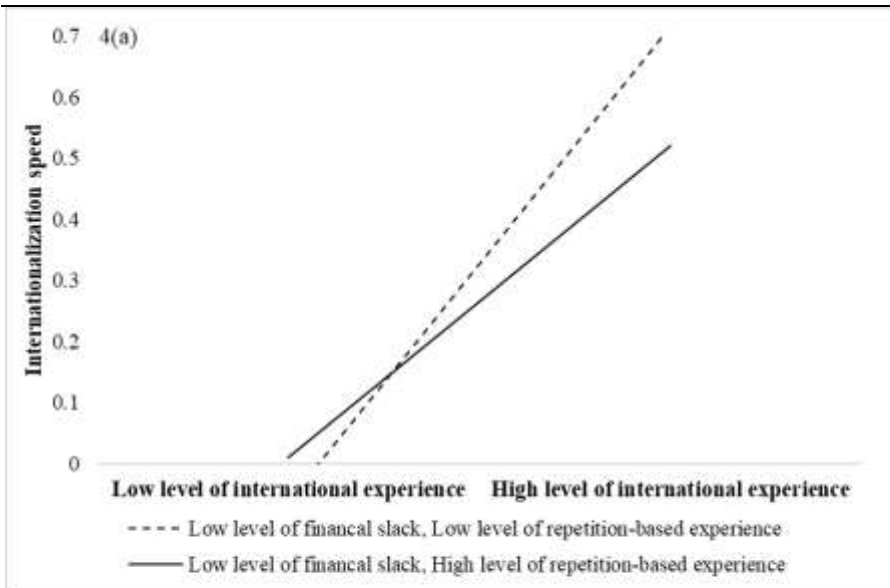——— High level of financal slack, High level of diversity-based experience

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Figure 4. The three-way moderating effect of financial slack

5(a)

Internationalization speed

1.5
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0

Low level of international experience   High level of international experience

- - - - Low level of institutional distance, Low level of repetition-based experience
——— Low level of institutional distance, High level of repetition-based experience

5(c)

Internationalization speed

0.7
0.6
0.5
0.4
0.3
0.2
0.1
0

Low level of international experience   High level of international experience

- - - - Low level of institutional distance, Low level of diversity-based experience
——— Low level of institutional distance, High level of diversity-based experience

5(b)

Internationalization speed

1.5
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0

Low level of international experience   High level of international experience

- - - - High level of institutional distance, Low level of repetition-based experience
——— High level of institutional distance, High level of repetition-based experience

5(d)

Internationalization speed

0.7
0.6
0.5
0.4
0.3
0.2
0.1
0

Low level of international experience   High level of international experience

- - - - High level of institutional distance, Low level of diversity-based experience
——— High level of institutional distance, High level of diversity-based experience
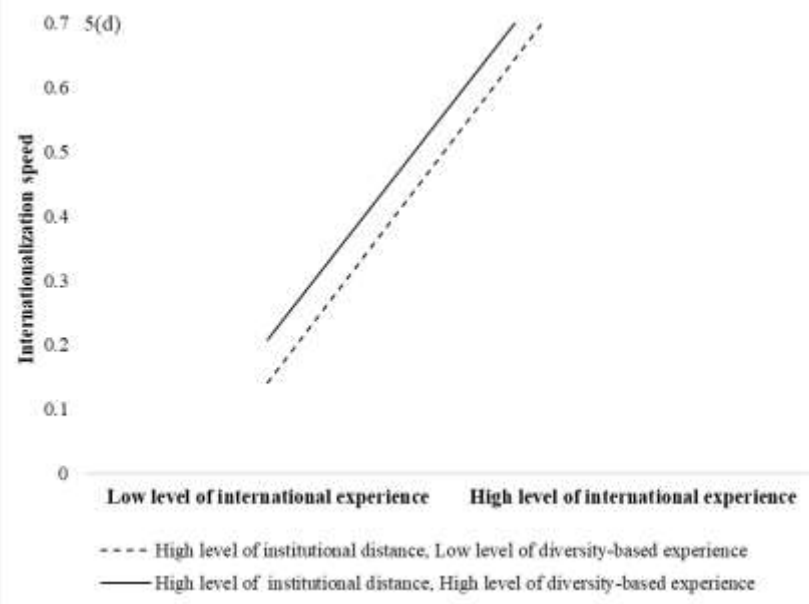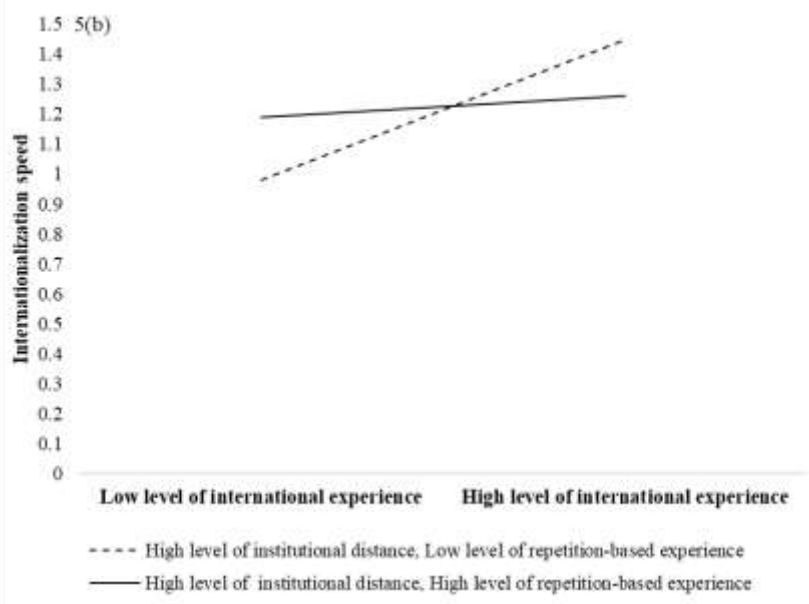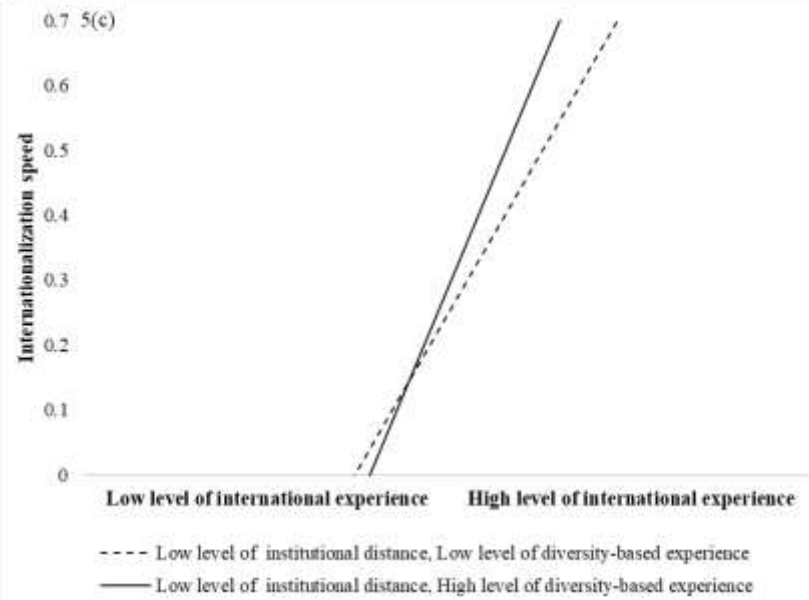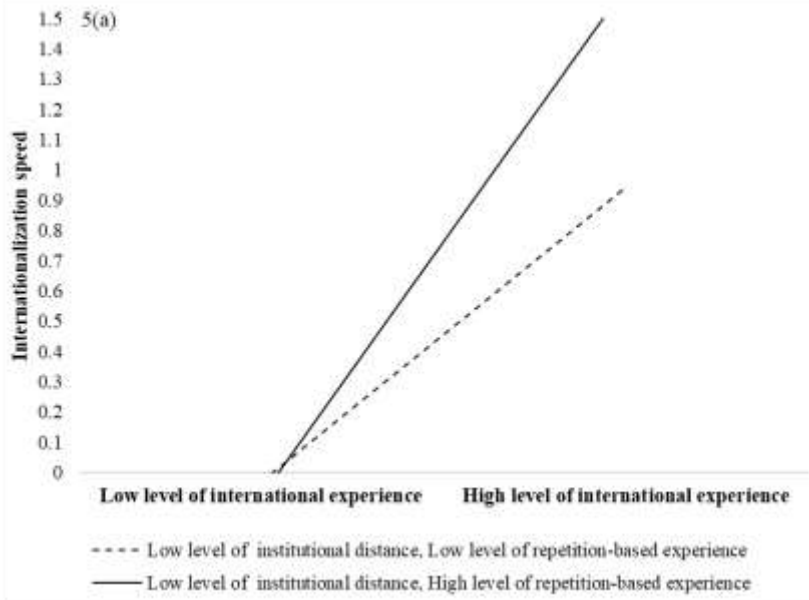
55

Figure 5. The three-way moderating effect of institutional distance

Table A1 Summary of literature on the role of international experience in shaping the speed of internationalization between 2002 and 2019

Author('s)	Nature of Study	Main findings	Sample	Role of international experience	Outcome of the relationship between international experience and the speed of internationalization
Gaba et al. (2002)	Quantitative	Larger firms with a greater level of international experience and scope are likely to enter this foreign market earlier. Non-equity modes, competitors' behavior in the product market, and lower levels of country risk are significantly associated with early entry.	U.S. Fortune 500 firms in China between 1979 and 1996.	Independent variable	Positive
Nadolska and Barkema (2007)	Quantitative	Firms' foreign acquisition and domestic acquisition experience improve the number of international acquisitions per year. There is a U-shaped relationship between experience with foreign acquisitions and the success of the foreign acquisition. This is also the case for domestic acquisition or international joint venture experience.	25 non-financial firms listed on the Amsterdam Stock Exchange and 1038 foreign acquisitions between 1966 and 1999.	Independent variable	Positive
Gao and Pan (2010)	Quantitative	The cumulative entry experience speeds up the pace of sequential entries of MNEs in a foreign market. Equity joint venture and wholly-owned subsidiary experience have stronger effects on speeding up the pace of sequential entries of MNEs than contractual arrangement experience. Switching from low to high resource commitment modes shows the pace of sequential entries, and such a deterring effect can be reduced as MNEs acquire more cumulative entry experience.	150 US firms entered China during the 1979-2002.	Independent variable	Positive
Casillas and Moreno-Menéndez (2014)	Quantitative	The depth of international activities has an inverted U-shaped impact on the speed of the internationalization process, while diversity of international activities has a U-shaped influence on the speed of internationalization process.	889 Spanish firms between1986-2008.	Independent variable	U-shaped
Powell (2014)		Firm profitability has an inverted U-shaped relationship with the actual speed of foreign market entry. Previously established offices in culturally similar markets, larger firm size, firm infancy, and prior international experience hasten market entry. The prior entry	US corporate law firms entry into Chinese market between 1992 and 2008.	Independent variable	Positive

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	Quantitative	of competitors, intense home-market competitive intensity, and regulatory reforms on foreign law firms in China deters rapid entry.			
Mohr and Batsakis (2014)	Quantitative	Intangible assets and international experience have a positive effect on the firm's internationalization speed. Firms' home-region concentration strengthens the positive effect of international experience on internationalization speed.	144 international retailers between	Independent variable	Positive
Casillas, Barbero, and Sapienza (2015)	Quantitative	The greater foreign knowledge and learning activities are associated with a more rapid pace of internationalizing. Also, different forms of knowledge and learning activities interact to shape the pace of internationalization. Pre-existing knowledge influences the pace of younger firms, and that the effects of vicarious learning and experiential learning on pace are contingent on firms' strategic intentions.	96 Spain firms in 2008	Independent variable and moderator	Positive
Pellegrino and McNaughton (2015)	Qualitative	Dominant learning mode and foci of learning changed as internationalization increased. Congenital learning dominated in the beginning of internationalization, but as the firms began to internationalize, they relied more on experiential learning, vicarious, searching and noticing learning processes.	8 New Zealand-based SMEs	-	Depend on different stages of their internationalization.
Hutzschenreuter et al. (2016)	Quantitative	International knowledge leads to an increase in subsequent internationalization speed, albeit at a decreasing rate. Internationalization speed increases with new business unit's relatedness to their parent MNEs' portfolio of businesses. The positive effect of international knowledge decreases the more new business units have been relying on indirect learning.	788 new business units of 90 established German MNEs	Independent variable	Positive
Batsakis and Mohr (2017)	Quantitative	Product diversification has a negative effect on Latin American retailer's geographic diversification and internationalization speed. International experience attenuates such a negative effect of product diversification on geographic diversification and internationalization speed.	Latin American retailers, 129 firm/year observations during 1998 and 2013.	Moderator	Insignificant for direct effect but positive as moderator
Pellegrino and McNaughton (2017)	Qualitative	While experiential learning is important, both incrementally and rapidly internationalizing firms use different learning modes (focus and source of learning) at different stages of their internationalization.	8 New Zealand-based SMEs	-	Depend on different types of SMEs and different stages of their internationalization.

	Quantitative	Firms with significant depth of experience tend to be later re-entrants. Firms previously operating through modes such as exports, franchising or licensing re-enter the market relatively early. Poor performance in the host market prior to exit reinforce management commitment to the market through early re-entry. Host country institutional quality leads to early re-entry and moderates the relationship between learning from past experience and re-entry.	1020 re-entry events between 1980 and 2016.	Independent variable	Positive or negative depends on different types of international experience
Surdu et al. (2018)					
Hsieh et al. (2019)	Quantitative	Entrepreneurs' international business experience, perceptions of opportunities abroad, orientation towards differentiation vis-à-vis competitors, and innovation strategy will positively affect internationalization speed in terms of earliness, deepening, and geographic diversification.	Firms from the Arab Middle East, China, Denmark, India, Poland, and the UK between 2012 and 2014.	Independent variable	Positive

Table A2 OFDI events by country in the sample firms

Host country	The number of OFDI events in the original sample (N=1906)	The number of OFDI events in the final sample (N=1830)	Host country	The number of OFDI events in the original sample (N=1906)	The number of OFDI events in the final sample (N=1830)	Host country	The number of OFDI events in the original sample (N=1906)	The number of OFDI events in the final sample (N=1830)
United States of America	329	318	Laos	8	8	Eritrea	2	2
Australia	158	153	Pakistan	8	8	Morocco	2	2
Germany	138	135	Austria	7	7	Nepal	2	2
Singapore	134	125	Democratic Republic of Congo	7	7	Papua New Guinea	2	2
Canada	86	83	Sweden	7	7	Republic of Congo	2	2
Japan	79	78	Kenya	6	6	Slovakia	2	2
Italy	60	59	Myanmar	6	6	Tanzania	2	2
Indonesia	53	49	Denmark	6	6	Ukraine	2	2
India	51	49	The Gabonese Republic	6	6	Albania	1	1
Netherlands	47	43	The People's Republic of Bangladesh	6	6	Angola	1	1
Russia	40	40	Uzbekistan	6	6	Burkina Faso	1	1
Vietnam	38	36	Kazakhstan	6	6	Cameroon	1	1
Brazil	35	33	Hungary	5	5	Croatia	1	1
Thailand	32	30	Mongolia	5	5	El Salvador	1	1
South Korea	30	28	New Zealand	5	5	Estonia	1	1
Britain	29	29	Sri Lanka	5	5	Greece	1	1
Malaysia	29	27	Tajikistan	5	4	Guatemala	1	1
United Arab emirates	27	26	Afghanistan	4	4	Lithuania	1	1
France	26	25	Azerbaijan	4	4	Namibia	1	1
Taiwan	22	20	Bolivia	4	4	Nicaragua	1	1
Luxembourg	20	19	Colombia	4	4	North Korea	1	1
Norway	20	16	Cote d'Ivoire	4	4	Paraguay	1	1
South Africa	20	20	Ethiopia	4	4	Peru	1	1
Spain	19	18	Finland	4	4	Portugal	1	1
Switzerland	18	18	Israel	4	4	Republic of Trinidad and Tobago	1	1
Turkey	17	12	Kyrgyzstan Republic	4	4	Republic of Panama	1	1
Poland	16	15	Saudi Arabia	4	3	Saipan	1	1

Country			Country			Country		
Philippines	15	15	Venezuela	4	4	Slovenia	1	1
Cambodia	14	12	Argentina	4	3	South Sudan	1	1
Mexico	14	13	Chile	4	4	Sudan	1	1
Belgium	13	13	Iran	3	3	Suriname	1	1
Ghana	11	11	Jordan	3	3	Tunisia	1	1
Bulgaria	10	10	Mali	3	3	West Africa	1	1
Romania	10	10	Uganda	3	3	Zambia	1	1
Czech	9	9	Uruguay	3	3	Zimbabwe	1	1
Egypt	9	8	Algeria	2	2	Belarus	1	1
Nigeria	9	9	Ecuador	2	2			

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