A Longitudinal Perspective of the Determinants of B2B Service Firms' Internationalisation Performance

Abstract

Institutional theory suggests that organisational legitimacy comes from complying with the normative, and even possibly coercive, pressure in politically distance environment. It also takes the view that organisations may face mimetic pressure to adopt the expansion scope of other successful firms. However, it remains unclear regarding how the long-term growth of B2B service firms may be explained by these two macro-level variables (political distance and scope of internationlisation), as well as their interactions with firm size. Drawing on institutional theory, we analysed extensive secondary data across a total of 589 B2B service firms in 45 countries over a period of 21 years (2001 to 2021). Our findings show that, compared to small firms, increasing the scope of internationalisation brings more revenue growth to large firms. While firms of all sizes would benefit by deriving more revenue share from countries with small political distance, large firms are more susceptible than small firms in countries with large political distance, especially in host countries where they derive a greater share of international revenue. With politically distant countries, a key implication for B2B marketing is that firms would need to develop dynamic and adaptive marketing-mix strategies in order to be resilient and competitive.

Keywords: B2B services; scope of internationalisation; demand dispersion; political distance; firm size

1. Introduction

It is well established that firms expand internationally to tap opportunities beyond their domestic markets (Cavusgil & Knight, 2015; Eduardsen & Marinova, 2020; Schembri, Fletcher, & Buck ,2023). However, the vast majority of studies are cross-sectional (Felzensztein et al., 2022), conceptual (Tippmann et al., 2023), or firm/sector specific (Mogaji, et al., 2023). Given the dynamic and complex nature of internationalisation, such studies are unlikely to yield generalisable findings (Dunning, 2000; Turnbull, 1987), and may even be contradictory (e.g., see Nuruzzaman et al. (2020) vs Shirodkar et al. (2017)).

Furthermore, this inadequacy is particularly poignant for B2B services because of their inherent characteristics. Specifically, intangibility and inseparability require B2B service firms to be physically present in different host countries, where the heterogeneous environments can enact barriers for successful internationalisation (Meyer et al., 2015; Rugman & Verbeke, 2012). Perishability means that unlike manufacturing firms, service firms are less motivated to exploit economies of scale for growth (Tippmann et al., 2023). These intricacies of services mean that the findings of existing studies in international business may not hold (Liu & Vrontis, 2017; Rodgers et al., 2019). Recent global events such as the rekindling of economic nationalism (Rammal et al., 2022) and global disruptions due to the Covid-19 pandemic, have also prompted calls for more research into the internationalisation of B2B service firms (Sheth, 2020; Weerawardena et al., 2020).

Adopting an econometrical approach to analyse extensive secondary data across a total of 589 B2B service firms in 45 countries over a period of 21 years (2001 to 2022), this study answers these calls by explicating the long-term revenue growth of B2B service firms' internationalisation via two key macro-level factors—political distance and scope of internationalisation—and their the interactions with firm size.

The rationale for focusing on these two macro-level variables is grounded on institutional theory (Kostova, Roth, & Dacin, 2008; Zucker, 1987). The theory takes the view that the external environment is itself an institution, and that organisational legitimacy comes from complying with the normative, and even coercive, pressure in the environment (Amer, 2023; DiMaggio & Powell, 1983; Massey, 2001). In this study, we argue that political distance, defined as the differences in governmental and political institutions, policies and even ideologies between a home and host country (Bae & Salomon, 2010; Nguyen et al., 2022), exerts institutional pressure on firms, especially B2B service firms (Deng, Jean, & Sinkovics, 2018). Similarly, Beugelsdijk & Luo (2024) contended in a recent paper about the increasingly political nature or politicising of international business. Indeed, the unstable nature of global commerce, which impacts firm performance, is often characterised by institutional distances (Devinney, Hartwell, Oetzel, & Vaaler, 2023; Singh & Gaur, 2021).

Institutional theory also posits that organisations may face mimetic pressure to expand like other successful organisations do (Barreto & Baden-Fuller, 2006; Cheng and Yu 2008; Lu 2002). The underlying argument is that nonconformity may lead to fears of being uncompetitive or being left behind. In this study, we contend that firms may face mimetic pressure regarding their scope of internationalisation, defined as the number of countries that a firm operates in (George, Wiklund, & Zahra, 2005; Hilmersson, 2014). While internationalisation scope could feed growth by increasing the pool of potential customers, the expanded scope increases cost and uncertainty (Khan, 2020; Liesch, Welch, & Buckley, 2011; Eduardsen & Marinova, 2020). Hence, we question how scope of internationalisation would influence revenue growth in the long run.

We further consider the interplay of these two variables with firm size. The typical view holds that large firms have more resources, which would aid their international

expansion (Child, Karmowska, & Shenkar, 2022; Felzensztein et al., 2022). However, large firms may be particularly vulnerable to inter-country problems (e.g., see Bloomberg (2023) regarding the Big Four international accounting firms in China). Moreover, this vulnerability may differ across firm size (Cheng & Yu, 2008). For example, Kraatz (1998) contends that small firms are more susceptible to external influences. Thus, it remains unclear over the long run, how firm size would interact with internationalisation scope and political distance to affect revenue growth.

Scholars have suggested that a longitudinal approach best suits analysing long-term firm performance (Pedersen & Tallman, 2013; Schembri et al., 2023). The knowledge gleaned from this study will thus guide the firms' internationalisation decisions and strategies. Few studies have used a longitudinal approach to study actual firm performance (see ***Appendix A***), and none have considered the macro-level factors in our study. Yet, these macro-level factors, concerning the number and choice of host countries, are fundamental to the success of firms' internationalisation endeavours.

Explicating the effects of these factors on long-term firm performance would also guide B2B firms to develop effective marketing strategies. Such strategies would need to be dynamic and adaptive depending on the markets (i.e., scope and political distance) the firms are present in (Reimann, Carvalho, & Duarte, 2021). Yet, the theoretical foundation of extant studies in B2B marketing are primarily based on dyadic transactional or relationship basis between firms (Cortez & Johnson, 2017; Hadjikhani & LaPlaca, 2013). None has attempted to systematically shed light on the phenomenon from parsimonious and empirically generalisable factors, like the ones in this study, that hold across firms, industries and countries. Indeed, Cortez and Johnson (2017) have argued for more studies on B2B firms to consider using data analytics to create better marketing insights. Such analytic efforts would

integrate sporadic efforts by scholars investigating the adaptation of marketing strategies, such as management of B2B relationships, international marketing channels, etc. (Yang, Su, & Fam, 2012; Zafari, Biggemann, & Garry, 2023). These efforts will also encourage scholars examining various marketing dimensions of B2B services firms to develop nuanced perspectives by integrating institutional context (Agyei, Manu, & Coffie, 2022; Nyadzayo, Casidy, Thaichon, 2020).

The remainder of this paper is organised as follows. Section 2 discusses literature relevant to our hypotheses regarding scope of internationalisation and weighted political distance, and their interactions with firm size. Next, Section 3 details how we extracted the data from large secondary sources. Section 4 then describes the analyses to test the hypotheses. The paper concludes with Section 5 discussing the implications and contributions, noting the key limitations and offering future research ideas.

2. Conceptual Development

2.1 Scope of Internationalisation

The scope of internationalisation, defined as the number of host countries that a firm operates in (George et al., 2005; Hilmersson, 2014), affects the decision-making process of firms as they pursue internationalisation. Being in more countries enables firms to tap a larger pool of potential customers to propel growth or diversity risks (Autio, Sapienza, & Almeida, 2000; Guo & Wang, 2021). However, some studies found a negative impact on firm performance as internationalisation scope increased (e.g., Yu, Chiao, & Chen, 2005). This is because an expanded scope would incur more resources and increase operating complexity, thereby leading to negative performance (Khan, 2020; Liesch, Welch, & Buckley, 2011; Eduardsen & Marinova, 2020). Additionally, the heterogenous characteristics of B2B services

make it especially difficult for the firms to reap economy of scale or scope by operating in more countries (Gansser, Boßow-Thies, & Krol, 2021; Tippmann et al., 2023).

Similarly, resource-based theory (Barney, 1996) suggests that firm size plays a crucial role in firms' internationalisation decisions and strategies (Child et al., 2022). Smaller firms face greater obstacles and challenges in internationalisation because they have less resources and capabilities compared to larger firms (Felzensztein et al., 2022; Winch, 2008). For example, Erramilli (1992) asserts that smaller firms prefer low-control entry modes because they lack the resource to exert proper control. As such, small firms would be more inclined to selectively pick markets that they are likely to possess strong competitive advantage, as opposed to being present broadly in more markets (Belderbos et al., 2020; Felzensztein et al., 2022). Increasing scope may spread the already constrained resources too thinly (Bradley and Mitchell, 1986), and may even jeopardise organisational survival (Benito and Welch, 1997).

Unlike small firms, large firms have more resources to facilitate their expansion into foreign markets, including finance, R&D, bargaining power etc. They are also likely to have more managerial expertise, experience, and knowledge in internationalisation; these would help them navigate the complexities in the foreign markets. Thus, we propose that for B2B service firms:

H1: **a)** Scope of internationalisation is negatively associated with the revenue growth; **b)** such that this negative association is higher as firm size decreases.

2.2 Political Distance and Demand Dispersion

Drawing on institutional theory (Kostova et al., 2008), firms need to make strategic internationalisation choices under institutional pressures in home and host countries (Cheng & Yu, 2008; Cui & Jiang, 2012; Felzensztein et al., 2022). While compatible political environments abroad would aid firm performance, differences between the environments may harm firm performance in foreign markets (Nguyen, Larimo, & Ghauri, 2022; Wang & Ma, 2018; Yang, 2018). Unlike manufactured goods that can be standardised, the heterogeneous nature of B2B services necessitates customisation in servicing customers across different countries (Rugman & Verbeke, 2012). This requires firms to develop deep understanding of the political differences between countries.

In international business literature, the extent of this compatibility is typically referred to as political distance, differences in governmental and political institutions, policies and even ideologies across countries (Bae & Salomon, 2010; Nguyen et al., 2022). The greater the political distance, the more difficult it becomes for firms to operate effectively or even survive (Gaur & Lu, 2007; Kostova, Roth, & Dacin, 2008). When firms are unfamiliar with a country's political environment, they experience difficulties in obtaining and interpreting information, thus leading to increased business risks (Drogendijk & Martín, 2015; Nguyen et al., 2022). Conversely, small political distance helps to foster strong political ties with the government, as well as reduce transaction costs (Cui et al., 2018; Meznar & Nigh, 1995; Oliver & Holzinger, 2008; Zaheer, 1995), a postulation that is consistent with resource dependence theory (Pfeffer & Salancik, 1978). It also helps firms to attain legitimacy, thereby enabling them to effectively tackle problems that they may encounter in the host countries (De Villa et al., 2019; Klopf & Nell, 2018; Kostova & Zaheer, 1999). In this study, we similarly conjecture that political distance would impact revenue growth negatively. This argument resonates with a recent study that collaboration with political

actors can foster internationalising firms' differentiation strategies and strategic performance (Khan, 2022; Zhu, Sardana & Tang, 2022).

However, internationalisation will always be accompanied by risks (Forbes, 2022; Eduardsen & Marinova, 2020). A common view is that large firms are more resilient to risks as they are likely to have better resources, connections, and expertise to navigate political institutions and intricacies (Sharma et al., 2020). While this position seems reasonable, an opposite view may be that large firms are more likely to attract unwanted scrutiny from authorities and consumers in the host country, leading to higher probability of discriminatory treatment (Demirbag, Glaister, & Tatoglu, 2007). For example, Fang and Chimenson (2017) highlighted that as political differences continued to widen between China and Western nations, local Western media negatively covered acquisitions of domestic firms by large Chinese conglomerates. Unfavourable media coverage has negative impacts on international firm performance (Deephouse, 2000). We thus speculate large firms operating in large political distance host markets may be worse off compared to small firms.

Furthermore, we differ from extant studies regarding the effects of political distance by contending that, rather than just the political distance between the home and host country, it is the interaction of political distance and demand dispersion (i.e., the share of international revenue derived from the host country) that matters to firm performance. We termed this interaction *weighted political distance*. This postulation is simple to comprehend. A firm operating in a host market with high political distance may not suffer much if this host country contributes only a small proportion to the firm's overall foreign revenue. Conversely, firms would stand to gain more by deriving major revenue contribution from a low political-distance market. Thus, we offer this hypothesis for B2B service firms:

H2: **a)** Weighted political distance is negatively associated with the revenue growth; **b)** such that this negative association is higher for large firms than for small ones.

Figure 1 illustrates the conceptual model for this study.

Insert Figure 1 here

3. Methodology

3.1 Applying Longitudinal Analyses

While research into the effects of internationalisation on firm performance has been extensive, the vast majority of studies are cross-sectional within a particular domain or sector (see literature review by Dekel-Dachs et al., 2021; Eduardsen & Marinova, 2020; Hult et al., 2008). The complications and challenges that firms face as they enter foreign host markets imply that contextual studies are likely to fall short of yielding generalisable findings (Dunning, 2000; Pedersen & Tallman, 2013; Turnbull, 1987). Similarly, Hult et al. (2008) assert that cross-sectional studies cannot offer causal inferences of the determinants of firm performance. They further suggest that data should be gathered from across organisations and over multiple time periods, as in the case of our study. As Pedersen and Tallman (2013, p. 529) argue, a longitudinal approach to analysing firms' internationalisation performance is "the best way to move our understanding of what multinationalization is in today's economy, what drives it, and ultimately how it affects performance."

However, internationalisation research that adopts a longitudinal approach is scarce (see Appendix A for a list of selected studies in quality journals), with none specifically concerning B2B service firms. Critically, to our knowledge, none of the studies has

considered an econometrical approach to determine whether empirical generalisability of the internationalisation performance of B2B service firms can be observed from the two macro-level factors, internationalisation scope and political distance. Yet, as discussed earlier, unlike manufacturers, B2B service firms face unique challenges given the inherent characteristics of services, especially the need to be physically present mostly in order to deliver the service. To this end, we investigated the long-term effects of two macro-level factors—scope of internationalisation and political distance—and their interactions with firm size. Furthermore, these variables are parsimious and useful because apply across firms, industries, and countries, which enhances empirical generalisation.

3.2 Data Extraction

This research was scoped within the B2B services sectors: IT consulting, engineering consultancy services, marine shipping, and container and packaging services (see ***Appendix B*** for the details of each sector). We focused on these sectors given their likelihood to favour and adopt internationalisation as a purposive strategy for growth. Firms in these sectors rely heavily on talent and technology, and internationalisation requires them to tap these resources in the host markets. As these sectors require substantial capital, internationalisation is typically led by the parent company in the home market, thus accentuating the importance of political distance between the home and host country. Also, the four sectors are well organised with fewer firms operating in less fragmented markets, thus aiding our empirical analyses to produce more robust findings. Unlike some service sectors, such as legal services, the four sectors do not have B2C operations.

The span of the data was from 2001 to 2022, across a total of 589 companies in 45 countries. We utilised multiple data sources and collated them to test our hypotheses.

Specifically, the data came from the two relational databases commonly used by academic researchers and businesses globally for research purposes: ***FactSet Geographic Revenue Exposure*** (GeoRev)[1] and the ***Bloomberg Terminal***[2]. The data files were first downloaded in csv format using file transfer protocol (FTP) professional software. The overall GeoRev database had 13 files with a total of about 30 million rows, indexed by the primary keys: company id and country id. We used 'R' language to link and extract the data from the GeoRev database.

From the *GeoRev* dataset, we first retrieved a total of 4,340 firms across the four services sectors. Of these, Bloomberg had annual revenue data for only 942 firms. As we needed figures for demand dispersion for each host country, based on available information from Bloomberg, this sample was further reduced to 589 firms. Following Bıçakcıoğlu-Peynirci and Morgan (2022), Figure 2 depicts the reduction sequence leading to the final sample of 589 firms. This final sample is reasonably large to test our hypotheses and ensure the findings' generalisability. Nonetheless, we highlighted that future research can attempt to extract a larger sample size, possibly via other secondary sources.

Insert Figure 2 here

We omitted 45 firms, whose annual revenue was less than USD 1 million. As evident in ***Appendix B***, the average revenue of the firms included in this study was in excess of USD20 billion. We contend that the revenue growth of these firms may be skewed by a number of local factors rather than the international distances in this study. By contrast, the

[1] https://go.factset.com/marketplace/catalog/product/factset-geographic-revenue-exposure; accessed 18 Feb 2023.
[2] https://www.bloomberg.com/asia; accessed 8 Feb 2023.

studied distances' impact on the revenue growth is indisputably greater for large firms. Also, these very small firms may primarily focus on their domestic markets, often fire-fighting or going after short-term opportunities rather than long term ones (e.g., see Kyvik, Saris, Bonet, & Felício, 2013). As long-term revenue growth is the interest of our study, including these very small firms may distort the empirical analyses, thus making the findings less robust.

3.3 Variables in the Study

We operationalised revenue growth, the main ***dependent variable*** for this study, as the percentage change in total annual revenue over the preceding year. The revenue figures were extracted from the Bloomberg database using the firms' Standard Industrial Classification (SIC) code. A ticker was generated in Bloomberg to extract the revenue. The SIC code was also used as a primary key to relationally link the Bloomberg and GeoRev databases. The SIC code defines the primary line of business of a company, and it is a widely used classification by governments and organisations globally.

The two ***independent variables*** in this study were internationalisation scope and weighted political distance. GeoRev provides information about the geographic information of a firm's sources of revenue, which enabled us to determine the firm's internationalisation scope. For example, if a firm reportedly earns revenues from 50 countries outside its home market, then the internationalisation scope is 50.

Determining weighted political distance involved three steps. First, we downloaded publicly available information on political distance from Berry, Guillen and Zhou (2010)[3].

[3] https://professorheatherberry.weebly.com/data.html, accessed 10 February 2023

Political distance was calculated via several dimensions: political stability to capture policy-making uncertainty, democracy scores, size of the state in terms of government consumptions (% GDP), and trade agreements (see Berry et al., 2010). For each pair of home-host country, the political distance was available for the period 2001 to 2021. Table 1 summarises the variables' definition and operationalisation.

Insert Table 1 here

Next, for each home-host country pair, the political distance obtained in the first step was multiplied by demand dispersion (i.e., the revenue contributed by the host country as a percentage of the firm's total international revenue). Thus, for a particular year, if a firm earns revenue from its operations in 50 countries, then there will be 50 (political distance x demand dispersion) multiplication terms. Finally, the weighted political distance for a firm was computed by summing the multiplication terms in the second step. Thus, the weighted political distance can be expressed $\sum P_i D_i$ where P_i is the political distance for a pair of home and host country, and D_i is the percentage of revenue contributed by the firm's operation in the host country (i.e., demand dispersion). For analyses purposes, firm size was used a ***moderating variable***. We used the total annual revenue (billion USD) as a proxy for the firm size (Barłożewski, and Trąpczyński, 2021).

We also included several ***control variables*** in the prediction model (Kim and Bettis, 2014). The differences across the four B2B service sectors in the analyses could influence the statistical coefficients, so sector was taken as a control. The year of firm's operations was controlled for natural growth/decline over years. While this study was solely concerned with political distance, other distances could also be relevant in the context of B2B services

firm internationalisation. For instance, the service sector is known to be knowledge intensive, so knowledge distance is of importance. Likewise, economic distance is vital as it is intrinsically related to industry sectors and the performance of the firms in those sectors. Cultural distance is also often used as a control variable in international business studies. Other scholars (e.g., Berry et al., 2010; Naudé & Sutton-Brady, 2019; Krings, Palmer & Inversini, 2021) in general have similarly contended that economic, cultural, knowledge and geographical distances between countries may have implications for revenue growth. The values for these three control distances (economic, cultural, knowledge, and geographical) for each home-host country pair came from the same database as political distance and were calculated in the same manner as political distance, as explained above. The dimensions for these controls are similarly available in Berry et al. (2010).

4. Empirical Analyses and Results

4.1 Data Integrity Tests

To check the robustness of the data from the secondary sources, we conducted the following tests.

Test for the Endogeinity

The presence of endogeneity may influence a regressor's beta coefficient, and render it unreliable. Endogeneity among endogenous variable and regressors can be addressed by various efforts. We included the firm's year of business, sector, economic distance, cultural distance, knowledge distance, and geographical distances between pair of countries as control variables. We further identified the instrumental variables and tested endogeneity using the two-stage least square (2SLS) method (Bascle, 2008). The Stata

command *ivregress 2sls* and *estat endog* were used to conduct the Wu Hausmann and Durbin tests of endogeneity. The null hypothesis in the 2SLS and endogeneity test assumes that there is no endogeneity in the model variables.

Endogeneity was tested for the regressor 'internationalisation scope' and endogenous variable 'firm's revenue growth'. The instrumental variable 'geographical distance' was observed to have no statistical significance with the 'firm's revenue growth', however it was correlated with the regressor 'internationalisation scope', thus confirming the required characteristics of an instrumental variable. The Durbin (p = .625) and Wu Hausmann (p = .625) tests both rejected the null hypothesis. Similar tests for the regressor 'weighted political distance' also found both the Durbin (p = .194) and Wu Hausmann (p = .194) rejecting the null hypothesis. Collectively, these results confirmed the absence of potential endogeneity in the model variables.

Tests for Heterogeneity and Cross-Sectional Dependence

The Breusch Pagan Lagrange multiplier test of panel data regression was conducted as a pre-estimation test to ascertain heterogeneity and cross-sectional dependence across the data. The test results confirmed that the residuals had constant variance, and errors were not related to the regressors. This also confirmed that the random effects were significant.

Test for Multi-colinearity

To test the interdependence of the regressors, a test of multi-collinearity was conducted. The variance inflation factor (VIF) and tolerance values of all variables are reported in the Table 2. The mean VIF was .19, and ranging from 1.02 to 6.13 (threshold <

10). Similarly, the tolerance of the variables ranged between 0.163 to 0.983 (threshold > 0.1). The bi-variate correlations among the variables are reported in the Table 3. The absence of multi-collinearity confirmed that the regression estimates are unbiased.

Test With Two-Year Lagged Growth of Revenue

Because the hypothesised relationships concerned year-on-year growth of annual revenue, following other studies (e.g., Cuervo-Cazurra et al., 2018), we checked if the hypotheses results were stable with two-year lagged growth of revenue. The direction and significance of the estimates largely remained stable (***Appendix C***).

Insert Table 2 and Table 3 here

4.2 Hypotheses Testing

This study used time-series data spread across 589 B2B service firms in 45 countries over 21 years. We had to match the firms that appear in both GeoRev and Bloomberg databases. The total number of rows across all companies and years was 4,532. Also, the data was unbalanced as not all the companies had the data for all 21 years. As such, a mixed effect multi-level maximum likelihood regression analysis was deemed appropriate for our analyses (StataCorp, 2013; Gries, 2015). The method takes the fixed and random effects into account. As a form of hierarchical linear regression model, this method is suitable with nested random effects of variables. For example, the data in this research had years nested within companies. The multi-level models in this study were mean-centred in each group, and then mean-centred in the entire dataset. The maximum likelihood estimation (MLE) offered a good fit between the observed data and the model estimations for the

hypothesised model. The robust standard error method in the regression was mean-centred in each cluster, and addressed the issues of auto-correlation and heteroscedasticity (Antonakis, Bastardoz, & Rönkkö, 2021). The variances within group and between groups were accounted for separately. The standard errors were clustered by years and companies. The descriptive and bi-variate correlations among the variables are reported in Table 2 and Table 3 above.

A series of regression models was developed with various combinations of the controls and the hypothesised variables to demonstrate the statistical robustness of the results (see Table 4). The direct effects remained stable with each control variable taken in different combinations one at a time, as well as all together. The full model was developed in STATA 15.1 using the *mixed* regression command (see Table 5).

Insert Table 4 and 5 here

Model 5 contains all the controls and the direct effects as follows:

$$Y = \beta_0 + \beta_1*[\textbf{\textit{Year}}] + \beta_2*[\textbf{\textit{Sector}}] + \beta_3*[\textbf{\textit{Economic Distance}}] + \beta_4*[\textbf{\textit{Cultural Distance}}] + \beta_5*[\textbf{\textit{Knowledge Distance}}] + \beta_6*[\textbf{\textit{Geographical Distance}}] + \beta_7*[\textbf{\textit{Firm Size}}] + \beta_8*[\textbf{\textit{Internationalisation scope}}] + \beta_9*[\textbf{\textit{Weighted Political Distance}}]$$

Model 6 shows the interaction effects of firm size and internationalisation scope.

$$Y = \beta_0 + \beta_1*[\textbf{\textit{Year}}] + \beta_2*[\textbf{\textit{Sector}}] + \beta_3*[\textbf{\textit{Economic Distance}}] + \beta_4*[\textbf{\textit{Cultural Distance}}] + \beta_5*[\textbf{\textit{Knowledge Distance}}] + \beta_6*[\textbf{\textit{Geographical Distance}}] + \beta_7*[\textbf{\textit{Firm Size}}] + \beta_8*[\textbf{\textit{Internationalisation scope}}] + \beta_9*[\textbf{\textit{IS X FS}}]$$

Model 7 shows the interaction effects of firm size and weighted political distance.

$$Y = \beta_0 + \beta_1*[\textbf{\textit{Year}}] + \beta_2*[\textbf{\textit{Sector}}] + \beta_3*[\textbf{\textit{Economic Distance}}] + \beta_4*[\textbf{\textit{Cultural Distance}}] + \beta_5*[\textbf{\textit{Knowledge Distance}}] + \beta_6*[\textbf{\textit{Geographical Distance}}] + \beta_7*[\textbf{\textit{Firm Size}}] + \beta_8*[\textbf{\textit{Weighted Political Distance}}] + \beta_9*[\textbf{\textit{WPD X FS}}]$$

The hypotheses were tested using the full model (Model 8, see Table 5), which included all controls, the direct effects, and the interaction effects. That is, the moderation effects of firm size were accounted for by adding the two interaction terms (IS x FS) and (WPD x FS) to the previous models. The Wald Chi was 91.94, and the $\chi 2$ probability was significant, which supported model goodness of fit. The direct effect of internationalisation scope ($\beta = -.066$, $p < .05$), and weighted political distance ($\beta = -.002$, $p < .05$) on revenue growth were negative and significant, therefore hypotheses H1a and H2a were supported. The negative effect in H1a implied that firms operating in more international markets experienced slower annual revenue growth. Similarly, the negative effect in H2a implied that larger firms operating in more politically distant countries have lower revenue growth.

The outcome variable Y of model 8 was estimated as follows:

$$Y = \beta_0 + \beta_1*[\textbf{\textit{Year}}] + \beta_2*[\textbf{\textit{Sector}}] + \beta_3*[\textbf{\textit{Economic Distance}}] + \beta_4*[\textbf{\textit{Cultural Distance}}] + \beta_5*[\textbf{\textit{Knowledge Distance}}] + \beta_6*[\textbf{\textit{Geographical Distance}}] + \beta_7*[\textbf{\textit{Firm Size}}] + \beta_8*[\textbf{\textit{Internationalisation scope}}] + \beta_9*[\textbf{\textit{Weighted Political Distance}}] + \beta_{10}*[\textbf{\textit{IS X FS}}] + \beta_{11}*[\textbf{\textit{WPD X FS}}]$$

where *IS* = internationalisation scope; ***WPD*** = weighted political distance; ***FS***= firm size

The moderating effect of firm size on the direct effect of internationalisation scope on revenue growth (β = 0.002, p < .01) was positive and significant, therefore hypothesis H1b was supported. This positive interaction effect meant that higher internationalisation scope benefited the revenue growth of large firms more than small firms. The moderating effect of firm size on the direct effect of weighted political distance on revenue growth (β = -0.0003, p < .05) was negative and significant, therefore the hypothesis H2b was supported. The negative interaction effect signified that the revenue growth of large firms worsened more than smaller firms did, when they obtained high share of international revenue from foreign markets with high political distance. Figure 3 illustrates these interaction effects.

Insert Figure 3 here

4.3 Post-hoc Analysis

In this section we extend the above empirical analysis by 1) testing an alternative operationalisation for firm size; 2) re-testing the hypotheses by including all firms (i.e., *without* omitting the 45 small firms; and 3) discussing the interaction effects with the domestic revenue growth and international revenue growth.

Testing alternative operationalisation of firm size

For parsimony, in this study, we used only total annual revenue to operationalise firm size. Published literature suggests that firm size can also be represented by total assets. Hence, we replicated the entire analysis using total assets as an alternative measure for the

firm size. The empirical analysis showed that the direction and strength of all the hypothesised effects were largely consistent with those using total revenue. For parsimony reason, we only presented the findings using total revenue for firm size.

Re-testing the hypotheses with all firms

Re-running the above tests with all firms yielded results that were similar and stable compared to the results with the 45 small firms omitted (i.e., the results in 4.1 above). We reported these results in ***Appendix D***. This suggest that although there are valid reasons to exclude the 45 small firms, the results were similar, regardless of whether the firms were omitted or not.

Interections with international and domestic revenue growth

In this section we re-ran the entire analysis using the growth of international revenue and domestic revenue as the dependent variables. The moderating effect of firm size on the direct effect of internationalisation scope on international revenue growth (β = 0.003, $p > .1$) was positive and not significant. Although not statistically significant, the positive interaction effect hinted that higher internationalisation scope benefited larger firms more than small firms in regards to international revenue growth. The moderating effect of firm size on the direct effect of weighted political distance on revenue growth (β = -0.001, $p > .1$) was negative and not significant. Although not statistically significant, the negative interaction effect hinted that the international revenue growth of large firms worsened (more than smaller firms did), especially when they obtained high share of international revenue from foreign markets with high political distance.

The moderating effect of firm size on the direct effect of internationalisation scope on domestic revenue growth (β = -0.002, p > .1) was negative and not significant. This negative interaction effect imnplied that higher internationalisation scope benefited smaller firms more than larger firms in regards to domestic revenue growth. The moderating effect of firm size on the direct effect of weighted political distance on domestic revenue growth (β = -0.001, p < .05) was also negative and significant. The negative interaction effect signalled that the domestic revenue growth of large firms worsened (more than smaller firms did) as political distance increased.

5. Discussions

Services are critical to the global economy, more so than other industries (UNCTAD, 2019; WTO, 2022). Yet, research in the internationalisation of firms has largely concentrated on manufacturing and natural resources industries (Rodgers et al., 2019). Answering calls to address this imbalance (Hazarbassanova et al., 2020; Rodgers et al., 2019; Winch, 2008), this study is centred on a key service sector, B2B services. Furthermore, research into internationalisation is primarily centred on particular cross-sectional contexts (e.g., Felzensztein et al., 2022; Mogaji, et al., 2023; Stallkamp et al., 2022; Tippmann et al., 2023). However, scholars have consistently recommended that longitudinal analyses are able to better unveil the long-term effects of internationalisation (Hult et al., 2008; Pedersen & Tallman, 2013; Schembri et al., 2023). Thus, a key contribution of our study is in harnessing large secondary database and use longitudinal analyses to determine the generalisable conditions that can explain international revenue growth for B2B service firms over time. In doing so, it aims to elucidate the empirical generalisability of how two macro-level factors

(international scope and political distance) may drive revenue growth over time, and if there is any varying impact due to firm size. We draw insights by analysing secondary data. comprising 589 companies in 45 countries over a period of 21 years (2001 to 2022).

5.1 Interactions of Scope of Internationalisation and Firm Size

Our findings show that simply being in more countries (i.e., scope of internationalisation) does not necessarily translate into better revenue growth. We found a negative association between scope and revenue growth, which is worse for small firms than for large ones. It affirms the view that small firms, with their constrained resources, should be cognisant of the amount or types of resources required to be successful in international markets. Hence, they should instead concentrate their resources on fewer markets. Interestingly, our findings run contrary to some studies (e.g., Freixanet & Renart, 2020), which recommend that small firms need to expand just to survive.

From a marketing perspective, the more countries that B2B service firms expand to, the greater would be the challenge of whether and to what extent the firms would need to localise their marketing mix (Wieland, 2018). This issue is more pertinent for small firms as they possess less resources and would prefer to standardise their services in order to save costs.

Although the results were not statistically significant regarding international revenue growth (see post-hoc analyses in 4.2), the directions of the interactive effects may offer some hints on the implications of internationalisation. While large firms stand to gain more from higher internationalisation scope than small firms do, their preferred destinations should be those with small political distance. Interestingly, the post-hoc analyses revealed that greater international exposure would have a large negative impact on domestic

revenue growth for large firms, more than for small ones. In other words, compared to small firms, the more large firms expand internationally, the lower their growth in domestic revenue. This negative effect is further exacerbated for large firms as they expand more into high political-distance countries. Thus, large firms should be more methodical in considering the risk-vs-reward balance when choosing foreign markets (Forbes, 2022).

5.2 Interactions of Political Distance and Firm Size

While large firms, with more or better resources, are well placed to expand geographically, they too should favour countries with low political distance. In the case of small firms, they may not have the expertise, knowledge, or connections to navigate complex political environments. For large firms, the problem lies in their exposure to unwanted attention from host country government; we found that large political distance may harm large firms more than small ones. A case in point is the well-publicised event in early 2023 (e.g., see Bloomberg, 2023), where China's Ministry of Finance deterred state-owned firms from engaging the Big Four international accounting firms (Deloitte & Touche, Ernst & Young, KPMG, PricewaterhouseCoopers), ostensibly because of the worsening US-China relationship. Akin to the classical tall poppy phenomenon (Kirkwood, 2007), large firms may be less nimble and cannot operate under the radar, thus making them less resilient in the face of such challenges. Our findings complement prior literature on political distance, which contends that large political distance leads to higher probability of discrimination treatment for internationalising firms (Demirbag et al., 2007; Zhu et al., 2022). Our findings extend these studies by revealing the comparative effects based on the firm size in B2B service context.

While these findings imply that firms should stay away from markets with high political distance, these markets are often potentially lucrative. B2B service firms may also need to be in these countries in order to service their global clients (Spar, 1997; Winch, 2008). This begets the question on what firms need to do to succeed in these markets. A possible strategy is to invest in cultural training and build relationships with host-country institutions, including the government, NGOs, and trade associations (Khan, 2022; Zhu & Sardana, 2020). Such socialisation activities allow firms to understand the differences between the home and host countries, thereby enabling them to adapt their strategies accordingly.

The different characteristics of politically distant markets would necessitate that firms develop dynamic and adaptive marketing strategies in order to be competitive, including developing new products or supply chain (Reimann et al., 2021), or putting in place innovative governance strategies to manage marketing channels (Yang et al., 2012). In short, efficacy of various dimensions of marketing strategies (such as, new positioning, varied purchase agreements, etc.) can be tested to build context-based managerial insights.

Another key characteristic of international business and marketing strategy is to form strategic alliances and B2B relationships with local partners, who are more competent with or knowledgeable about the local market conditions (Zafari et al., 2023). Kostova and Zaheer (1999) suggest that local partners can help firms to overcome the challenges through knowledge sharing. Firms can also engage in activities, such as political lobbying and advocacy and building political coaliation among different stakeholders to influence policy decisions (Zhu & Sardana, 2020). Regardless of the adopted strategies, firms should develop contingency plans and security measures to mitigate the risks of operating in these markets (Cavusgil et al., 2020). From a policy-making perspective, our findings imply that B2B should

make additional efforts to develop 'political coalition' to mitigate risks, especially in countries that are politically distant but contributing significantly to total revenues (Zhu & Sardana, 2020). These non-market efforts may help firms establish strong foothold in the foreign markets.

5.3 Future Research and Limitation

While we have drawn on extensive secondary databases to identify generalisable findings pertaining to B2B service firms' internationalisation, several future research avenues can continue to pursue the line of reasoning initiated by our study. ***Regarding extending research on theoretical issues***, Oliver (1991) suggests that companies can choose to negotiate rather than accept existing institutional policies in a host country; what we could not account for in our secondary data is the extent that firms are able to enjoy good growth even in countries with large political distance because they had managed to bargain successfully. This is an area for future research.

Similarly, geopolitical tensions often come and go, and it would be a useful extension to determine how this matters to firms' long-term growth in international markets. In this area, future studies can determine the short-term impacts around the time a tension occurred, as well as its impact over the long-term as the tension dissipated. Given market heterogeneity, Ozkan et al. (2022) showed the differential performance of emerging and advanced economy's firms in each other's markets. This suggest that future research could also replicate our study by determining whether our model applies equally to firms from developing vs developed economies.

This study involved services, whose characteristics (i.e., intangibility, inseparability, heterogeneity and perishability) differ from those with manufacturers. It would be

interesting for future research to investigate whether the empricial generalisability of the macro-level factors we found with B2B service firms in this study would hold with manufacturing firms. Similarly, Crick and Lindsay (2015) caution over the definition of 'services' as there is often a service component even with tangible products (e.g., aftersales service), and hence the product vs service distinction should really be viewed as a continuum rather than discrete categories. Their view informs that future research should determine the effects of the variables in this study across a range of industries (including manufacturing) to determine the generalisability of our findings.

In addition, whereas we focused on dispersion of demand side, there lies a significant opportunity to analyse dispersion of supply side as part of internationalisation strategy. There has been conceptual discussion, both policy and managerial, recently due multiple factors, such as wars, global tariff wars, international sanctions, COVID-19 disruptions (e.g. Daniels, Lund, Malik, and Shao, 2021; Evenett, 2020; Gereffi, 2020); however, little empirical insights are witnessed so far.

A noteworthy finding is that we found no effects with knowledge and culture distance, although economic distance was marginally significant at 0.1 level. Regardless, future research should delve deeper into each of these dimensions, or even the interplay among them. Another area that this study has omitted is the effects of risks on long-term revenue growth. As firms internationalise to capture growth opportunities, they may face different types of risks (Cavusgil et al., 2020; Forbes, 2022). Questions remain on the implications of the different risks, and how they may impact revenue growth over time. Longitudinal empirical studies in the area is lacking that future research can address.

From a methods perspective, this research was able to extract demand exposure data from 2001 to 2021 from FactSet and Bloomberg databases. Future studies can continue

to extend this research by taking the demand exposure and cross border distances data beyond these years. Our attempt at empirical generalisation of long-term revenue growth is limited by the available data in the secondary datasets that they used. Firm's international exposure may be viewed in perspectives other than via internationalisation scope (i.e., the number of countries that a firm operates in). Hence, future research should identify other large secondary data sources that can provide different views of internationalisation. In conclusion, we believe that international B2B services will continue to be a prominent contributor to the global economic. To succeed, B2B service firms would need further guidance on how to operate effectively and ensure successful longevity.

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Appendix A: List of selected longitudinal studies on firm performance

Article	Theory	Method & data source (period)	Analysed Variables	No. of host countries and firms	Industries	Key findings
Banalieva & Dhanaraj (2013)	Study draws on internalization theory to argue that market imperfections raise cross-border transaction costs and lead to internalization of markets	Secondary data from OSIRIS (1997-2006)	IV: technological advantage, regional institutional diversity DV: home-region orientation (HRO), return on asets (ROA)	12 countries 625 firms	Not specified	Technological advantage and institutional diversity negatively correlated with HRO. Also, higher firm performance led to a lower HRO.
Kafouros et al., (2023)	Study draws on the theory of institutional economics to explain how firms' heterogeneity in competitiveness and performance is influenced by institutional quality and variations in technological and market dynamism	Secondary data from Amadeus database (2004-2011)	IV: institutional quality, technogical dynamism, market dynamism DV: firm profitability	16 countries 12,888 firms		The influence of institutional quality on firm performance was stronger for firms in high technologically dynamic industries, compared to firms in low technologically dynamic industries. By contrast, the influence was weak for firms in high market dynamism industries, compared to firms in low market dynamism industries.
Kotabe et al. (2007)	The underlying theory of this study's framework is the resource-based view of the firm, which posits that to achieve competitive advantage, firms need to possess strategic resources	Three sources of registered patents: Compustat database for SIC 2834; Forbes' annual list of the top 100 US international firms; CHI Research, Inc., a private patent data source (1989-1998)	IV: international knowledge transfer, knowledge complexity, knowledge dispersion DV: innovation performance (ratio of patents from overseas to total patents)	US only 53 firms	US-based pharmaceutical firms	The relationship between Innovative performance and international knowledge content is curvilinear, such that i) at low and moderate levels of international knowledge content, international knowledge led to improved innovative performance, and ii) at higher levels of international knowledge content, there are diminishing marginal returns to international knowledge transfer.

Ozkan et al. (2022)	This study uses the ownership, location, internalisation (OLI) framework to compare the performance of advanced economy multinational enterprises (AMNEs) and emerging market multinational enterprises (EMNEs) in international markets	Secondary data from Euromonitor Passport (2010-2019)	DV: market share, annual dividends	12 countries 189 firms	Retail, ready meal, apparel, soft drinks, beauty and personal care, small home appliances, electronics	Firms performed better as they i) developed non-traditional ownership advantages based on their learnings in their home markets, and ii) expanded into markets that rely on non-traditional ownership advantages. Also, increased market share benefited firms from emerging countries more than firms from developed countries.
Paeleman et al., (2017)	Drawing on a behavioral theory perspective, this study investigate how distinct types of slack resources affect distinct aspects of firms' exporting behavior.	Secondary data from National Bank of Belgium (1997-2010)	IV: financial slack, human resource slack DV: entry into exporting, export intensity, export diversity,	5 regions (UK, US, EU, non-EU Europe, Other) 9,535 firms	Goods manufacturers	Both financial slack and human resource (HR) slack increased the probability of exporting, as well as export diversity, positively, but at a diminishing rate. However, HR slack influenced export intensity negatively.
Presutti et al. (2016)	The theory of interorganizational social capital is used to explain how the evolution of different dimensions of social capital influence the firm's foreign performance growth	Quantitative survey of firms in Italy Two periods: 2005 and 2013	IV: structural, relational and cognitive social capital DV: % growth of international revenue between 2005 and 2013; % change in employee between 2005 and 2013	9 countries 145 firms in 2005; 125 firms in 2013	High-technology	Investments in structural social capital improved firm performance. Relational and cognitive social capital also improved performance but only for low levels of interorganizational psychic distance.

Wu & Park (2019)	Without any grounding theory, this study examines the role of international institutional complexity on innovation performance.	China Security Market Analyses Research (CSMAR) series databases (2001-2010)	IV: institutional complexity, top management team (TMT) heterogeniety, TMT exposure DV: innovation performance	99 countries 760 firms	Not specified	The impact of international institutional complexity on innovation performance was inverted U-shaped, such that a moderate level of international institutional complexity generated the highest innovation output. Also TMT host exposure and TMT heterogeneity positively moderated the relationship between international institutional complexity and innovation performance.
This study	Insitutional theory is used to justify the choice of the inDV: political distance and scope of internationalisation. Justification is also given that these parsimonious and useful variables are common across context (industry, countries, firm size) and hence enhances generalisation	Secondary data from FactSet Geographic Revenue Exposure (GeoRev) and Bloomberg Terminal (2001-2021)	IV: political distance (dyadic), scope of internationalisation, demand dispersion (% share of revenue from host country) Moderator: firm size DV: total revenue growth, international revenue growth	45 countries 589 firms	B2B service firms in IT consulting, engineering consultancy, marine shipping, and container and packaging industries	Expanding the scope of internationalisation increased revenue growth for large, more than for small firms. While firms of all sizes benefited by deriving more revenue share from countries with small political distance, large firms are more susceptible than small firms in countries with large political distance. Although statistically not significant, two observations were worth noting: i) higher internationalisation scope benefited larger firms more than small firms in regards to international revenue growth; ii) international revenue growth of large firms worsened (more than smaller firms did) when firms dervied high share of international revenue from foreign markets with high political distance.

Appendix B: Research data sample profile

Details	IT Consulting	Engineering Services	Marine Shipping	Containers and Packaging	Total
Sector SIC Code	3,308	3,115	4,625	2,235	
Total annual revenue (billion USD)	4,677	8,586	2,075	2,593	17,931
Number of home countries	23	30	21	21	45
Number of host countries	153	155	151	144	155
Average revenue per company (billion USD)	21	37	27	41	32
Country wise breakdown of firms					
United States of America	58	125	25	20	228
Hong Kong	62	10	2	5	79
China	12	16	11	2	41
Canada	12	23	4	3	42
United Kingdom	9	7	3	5	24
India	8	9	2	2	21
Others	67	33	16	38	154
Number of companies in study	**223**	**228**	**75**	**63**	**589**

Appendix C: Regression results (Robustness check with revenue growth over two years)

Models	**Model1**	**Model2**	**Model3**	**Model4**	**Model5**	**Model6**	**Model7**	**Model8**
Independent variables	**b/p**	**b/p**	**b/p**	**b/p**	**b/p**	**b/p**	**b/p**	**b/p**
Year	(-0.3793975)				(-0.3582428)	(-0.3728843)	(-0.26992)	(-0.3534908)
	[0.250]				[0.283]	[0.259]	[0.413]	[0.294]
Sector	(0.0034061)				(0.0034361)	(0.0031952)	(0.0036033)	(0.0034653)
	[0.252]				[0.244]	[0.272]	[0.224]	[0.240]
Economic distance		(-0.0016764)	(-0.0038171)	(-0.0039969)	(-0.0043081)	(-0.0045785)	(-0.0046301)	(-0.0043335)
		[0.172]	[0.001]	[0.001]	[0.001]	[<0.001]	[0.001]	[0.001]
Cultural distance			(0.0018452)	(0.0017321)	(0.0014808)	(0.0014205)	(0.0013247)	(0.0016488)
			[0.150]	[0.208]	[0.264]	[0.284]	[0.345]	[0.221]
Knowledge distance			(-0.0000621)	(-0.0000798)	(0.0001434)	(0.0001975)	(0.0000635)	(0.0001367)
			[0.889]	[0.863]	[0.754]	[0.662]	[0.889]	[0.767]
Geographic distance				(4.01e-07)	(3.87e-07)	(4.64e-07)	(2.65e-07)	(3.15e-07)
				[0.775]	[0.797]	[0.757]	[0.855]	[0.835]
Firm size (SF)	(-0.2997273)	(-0.3040061)	(-0.3093731)	(-0.3091114)	(-0.3075302)	(-0.4102744)	(-0.2917042)	(-0.3731458)
	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]
Internationalisation scope (IS)	(-0.0519815)	(-0.0383357)	(-0.0425269)	(-0.0425862)	(-0.0477247)	(-0.0647133)		(-0.0554244)
	[0.039]	[0.164]	[0.118]	[0.119]	[0.067]	[0.023]		[0.042]
Weighted political distance (WPD)	(-0.0024194)	(-0.0020001)	(-0.0020865)	(-0.0020831)	(-0.0023184)		(-0.0031581)	(-0.0015409)
	[0.001]	[<0.001]	[<0.001]	[<0.001]	[0.001]		[0.013]	[0.029]
IS X FS						(0.0013589)		(0.002349)
						[0.011]		[<0.001]
WPD X FS							(-0.0001488)	(-0.0003271)
							[0.138]	[0.019]
_cons	(771.1221)	(18.58525)	(18.53477)	(18.53553)	(728.4481)	(758.8509)	(548.7775)	(719.0093)
	[0.246]	[<0.001]	[<0.001]	[<0.001]	[0.278]	[0.254]	[0.409]	[0.290]
Observations (N)	4532	4532	4532	4532	4532	4532	4532	4532

Number of companies	589	589	589	589	589	589	589	589
Number of variables	5	4	6	7	9	9	9	11
Log pseudolikelihood	-19468.896	-19470.791	-19470.141	-19470.135	-19467.971	-19468.321	-19469.113	-19467.536
Wald Chi2	84.77	68.64	90.13	90.80	101.61	96.85	153.07	134.59
P > Chi	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Random effect parameter Est.	5222.722	5228.519	5226.529	5226.513	5219.894	5220.965	5223.386	5218.565

Appendix D: All firm results (Post-hoc results) – Including firms with annual revenue less than one million USD

Models **Independent variables**	**Model 1** **β / p**	**Model 2** **β / p**	**Model 3** **β / p**	**Model 4** **β / p**	**Model 5** **β / p**	**Model 6** **β / p**	**Model 7** **β / p**	**Model 8** **β / p**
Year	(-0.5599615)				(-0.5336885)	(-0.5427661)	(-0.4583124)	(-0.53018)
	[0.102]				[0.122]	[0.114]	[0.190]	[0.126]
Sector	(0.0031589)				(0.0031236)	(0.0029134)	(0.0032828)	(0.0031406)
	[0.163]				[0.167]	[0.193]	[0.147]	[0.165]
Economic distance		(-0.0012254)	(-0.0020624)	(-0.0014689)	(-0.0019495)	(-0.002226)	(-0.0022511)	(-0.0019759)
		[0.184]	[0.097]	[0.320]	[0.223]	[0.165]	[0.183]	[0.213]
Cultural distance			(0.0020268)	(0.0024706)	(0.002169)	(0.0021038)	(0.0018772)	(0.0023236)
			[0.140]	[0.145]	[0.202]	[0.216]	[0.283]	[0.179]
Knowledge distance			(-0.0004277)	(-0.0003521)	(-0.0000235)	(0.0000187)	(-0.000083)	(-0.0000256)
			[0.271]	[0.358]	[0.944]	[0.955]	[0.804]	[0.939]
Geographic distance				(-1.53e-06)	(-1.76e-06)	(-1.71e-06)	(-1.91e-06)	(-1.86e-06)
				[0.471]	[0.399]	[0.408]	[0.352]	[0.380]
Firm size (SF)	(-0.2375387)	(-0.2448443)	(-0.2511415)	(-0.2521534)	(-0.2462374)	(-0.3132486)	(-0.226276)	(-0.2834172)
	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]
Internationalisation scope (IS)	(-0.0551912)	(-0.0403585)	(-0.0450692)	(-0.0448641)	(-0.053464)	(-0.067907)		(-0.0590667)
	[0.006]	[0.052]	[0.030]	[0.031]	[0.009]	[0.003]		[0.006]
Weighted political distance (WPD)	(-0.0024133)	(-0.0020061)	(-0.0022083)	(-0.0022179)	(-0.002396)		(-0.0034281)	(-0.0016221)
	[0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]		[0.013]	[0.015]
IS X FS						(0.000916)		(0.0019012)
						[0.080]		[0.002]
WPD X FS							(-0.0001818)	(-0.0003098)
							[0.069]	[0.014]
_cons	(1134.058)	(16.73207)	(16.75654)	(16.75712)	(1081.298)	(1100.281)	(927.5848)	(1074.285)
	[0.099]	[<0.001]	[<0.001]	[<0.001]	[0.119]	[0.111]	[0.187]	[0.123]
Observations (N)	4656	4656	4656	4656	4656	4656	4656	4656
Number of companies	607	607	607	607	607	607	607	607
Number of variables	5	4	6	7	9	9	9	11

Log pseudolikelihood	-26167.63	-26172.99	-26171.67	-26171.56	-26166.46	-26167.11	-26168.66	-26166.02
Wald Chi2	60.93	44.70	43.99	44.28	64.46	70.04	100.41	91.80
P > Chi	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Random effect parameter Est.	4458.26	4468.55	4466.01	4465.79	4456.02	4457.27	4460.25	4455.18

Figure 1. Conceptual Model

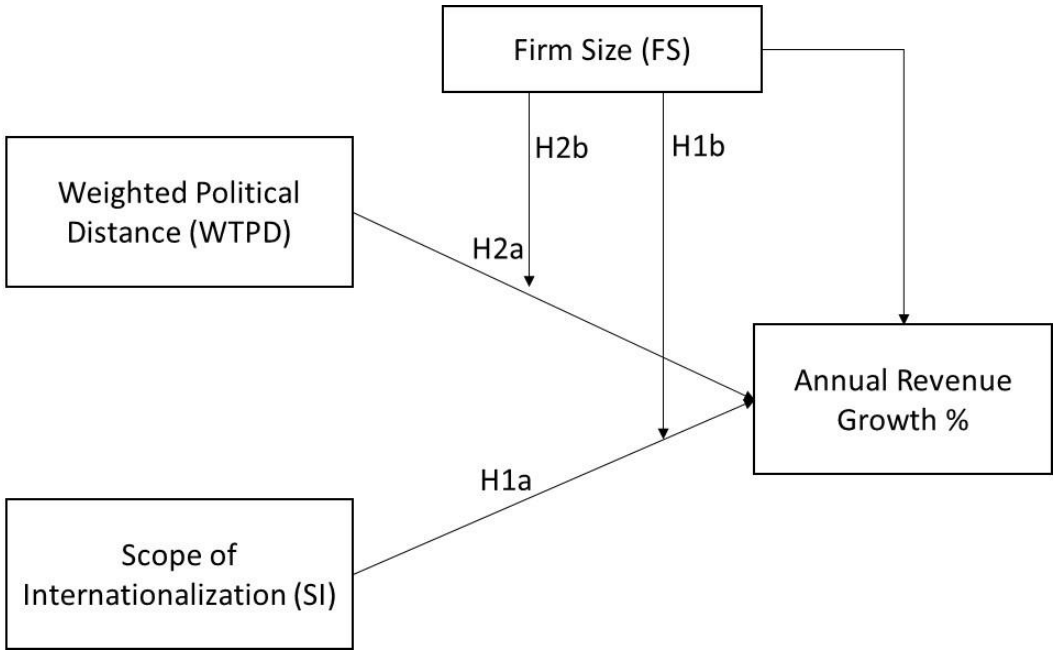


Figure 2: Data cleansing and reduction of firms to the sample

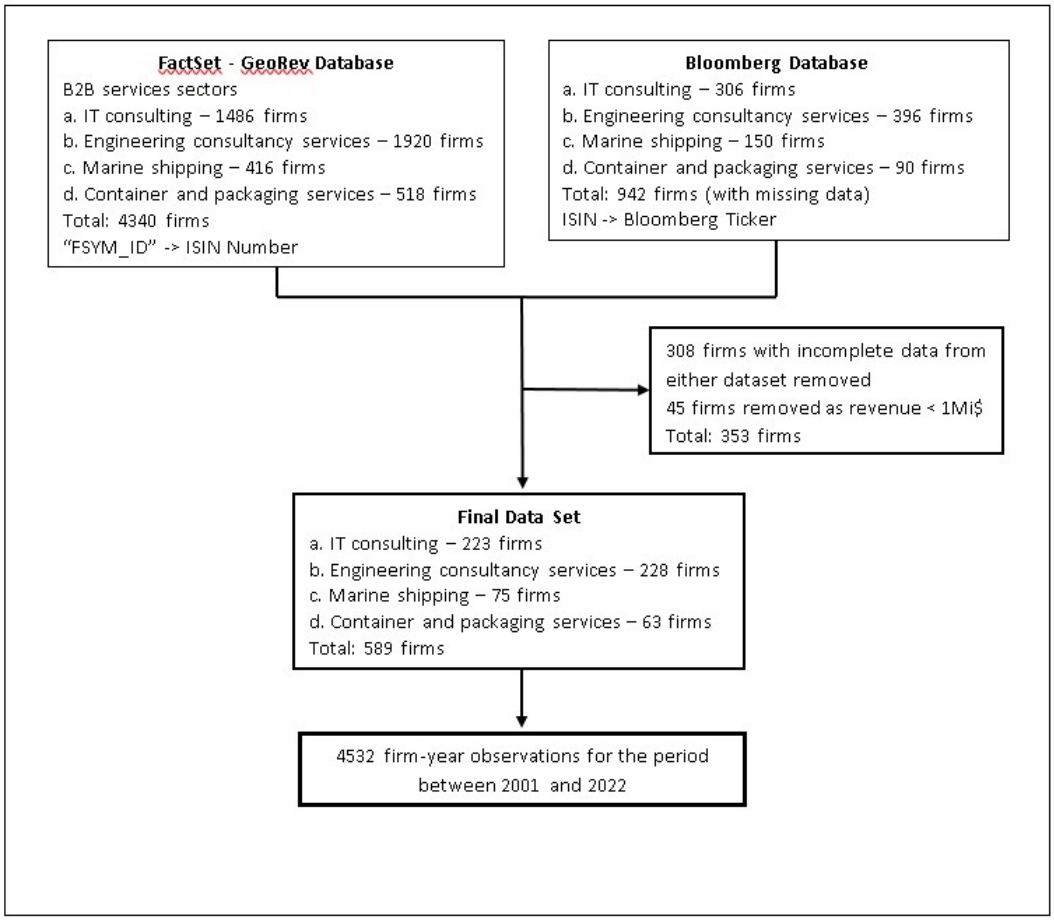
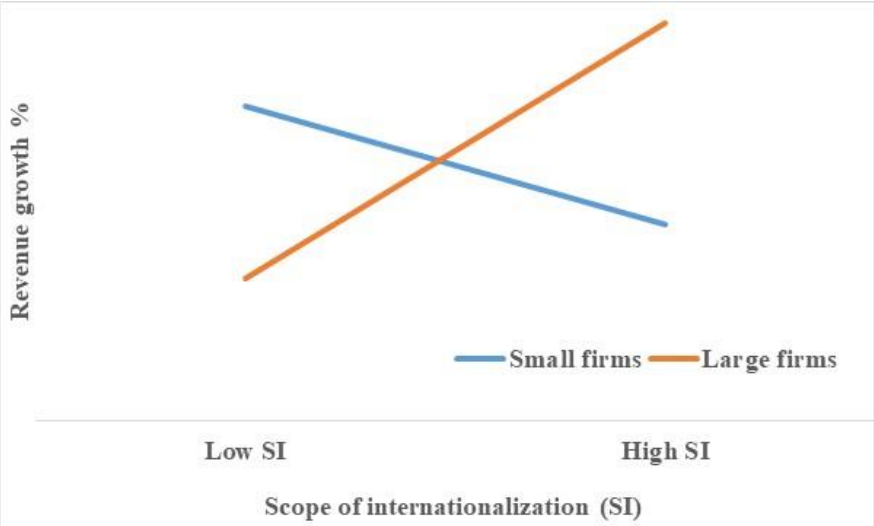
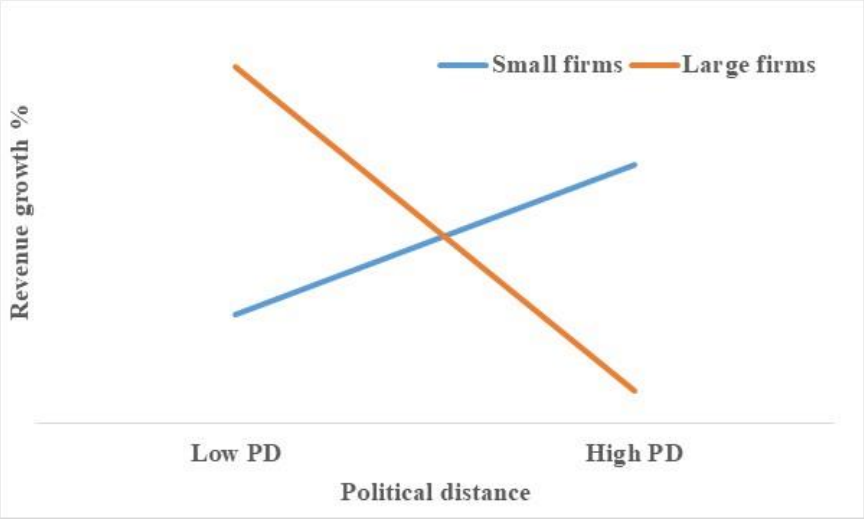


Figure 3: Moderating effects of firm size



Revenue growth vs scope of internationalisation



Revenue growth vs weighted political distance

Table 1: Definition and operationalisation of the variables in this study

Variables	Definition	Operationalization
Year	Firm's year of business	Dummy
Sector	B2B services sectors: IT consulting, engineering consultancy services, marine shipping, and container and packaging services	Dummy
Economic distance	GDP per capita (2000 US$) GDP deflator (% GDP) Exports of goods and services (% GDP) Imports of goods and services (% GDP)	Sum of all economic distances weighted with respective % demand exposure of a firm in the host country
Cultural distance	Power distance Uncertainty avoidance (trusting people and job security) Individualism (independence and role of government) Masculinity (importance of family and work)	Sum of all cultural distances weighted with respective % demand exposure of a firm in the host country
Knowledge distance	Number of patents per 1 million population Number of scientific articles per 1 million population	Sum of all knowledge distances weighted with respective % demand exposure of a firm in the host country
Geographical distance	Great circle distance between two countries according to the coordinates of the geographic center of the countries	Sum of all geographical distances weighted with respective % demand exposure of a firm in the host country
Firm size (FS)	Total annual revenue of a firm	Amount in billion dollars
Weighted political distance (WPD)	Democracy scores Government consumption (% GDP) Membership in WTO Dyadic membership in the same trade block Political stability including veto powers	Sum of all political distances weighted with respective % demand exposure of a firm in the host country
Scope of internationalisation (SI)	If a firm is exporting to more number of countries, it may be reasonable to consider the firm having more scope of internationalization.	Number of host countries a firm is exposed for its demand in a given year

Table 2: Descriptives of variables

#	Variables	Obs	Mean	SD	Min	Max	VIF	Tolerance
[1]	Year	4,532	2,013	5	2,000	2,021	1.080	0.924
[2]	Sector	4,532	3,229	602	2,235	4,625	1.020	0.984
[3]	Economic Distance	4,532	277	706	-	11,365	4.590	0.218
[4]	Cultural Distance	4,532	486	1,152	-	11,482	3.700	0.270
[5]	Knowledge Distance	4,532	1,130	3,108	-	68,709	3.150	0.318
[6]	Geographic Distance	4,532	3,04,158	7,58,660	-	1,15,00,000	6.130	0.163
[7]	Firm Size	4,532	4	11	0	141	3.250	0.308
[8]	Internationalisation scope (IS)	4,532	44	49	1	155	1.630	0.612
[9]	Weighted political distance (WPD)	4,532	268	574	-	26,783	1.540	0.650

Table 3: Bi-variate correlations

#	Variables	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
[1]	Year	1							
[2]	Sector	-0.0348	1						
[3]	Economic Distance	-0.0385	0.0094	1					
[4]	Cultural Distance	-0.0978	0.0077	0.7553	1				
[5]	Knowledge Distance	0.0727	-0.0351	0.7956	0.6548	1			
[6]	Geographic Distance	-0.0612	-0.0104	0.8543	0.8447	0.7745	1		
[7]	Firm Size	-0.0277	-0.01	0.0464	0.0861	0.0362	0.0546	1	
[8]	Internationalisation scope (IS)	-0.1741	0.003	0.3711	0.3953	0.3118	0.3763	0.2172	1
[9]	Weighted political distance (WPD)	-0.057	0.0854	0.2377	0.2443	0.1565	0.2208	0.0936	0.4227

Table 4: Regression models with incremental controls (Testing hypothesized relations)

Models	**Model 1**	**Model 2**	**Model 3**	**Model 4**	**Model 5**	**Model 6**	**Model 7**	**Model 8**
Independent variables	**β / p**	**β / p**	**β / p**	**β / p**	**β / p**	**β / p**	**β / p**	**β / p**
Year	(-0.5629785)				(-0.5398745)	(-0.5500123)	(-0.4549765)	(-0.5365923)
	[0.109]				[0.126]	[0.118]	[0.204]	[0.130]
Sector	(0.0031639)				(0.0031416)	(0.0029315)	(0.0033141)	(0.0031532)
	[0.163]				[0.165]	[0.190]	[0.144]	[0.163]
Economic distance		(-0.0012175)	(-0.0021478)	(-0.0016018)	(-0.0021377)	(-0.0024388)	(-0.0024361)	(-0.0021758)
		[0.192]	[0.093]	[0.294]	[0.197]	[0.142]	[0.164]	[0.186]
Cultural distance			(0.001993)	(0.0023939)	(0.0020792)	(0.0020094)	(0.001765)	(0.0022385)
			[0.149]	[0.162]	[0.225]	[0.242]	[0.317]	[0.199]
Knowledge distance			(-0.0003895)	(-0.0003244)	(0.0000156)	(0.0000615)	(-0.0000577)	(0.0000144)
			[0.339]	[0.417]	[0.965]	[0.860]	[0.869]	[0.967]
Geographic distance				(-1.38e-06)	(-1.59e-06)	(-1.50e-06)	(-1.78e-06)	(-1.67e-06)
				[0.522]	[0.457]	[0.478]	[0.391]	[0.439]
Firm Size (SF)	(-0.2448051)	(-0.252391)	(-0.2583583)	(-0.2592443)	(-0.2530891)	(-0.3349818)	(-0.239134)	(-0.3045714)
	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]	[<0.001]
Internationalisation scope (IS)	(-0.0617747)	(-0.0469852)	(-0.0515709)	(-0.0513199)	(-0.0600221)	(-0.0751435)		(-0.0666487)
	[0.002]	[0.026]	[0.015]	[0.016]	[0.004]	[0.001]		[0.003]
Weighted political distance (WPD)	(-0.0023545)	(-0.0019626)	(-0.0021619)	(-0.0021765)	(-0.0023337)		(-0.0035621)	(-0.0015266)
	[0.001]	[<0.001]	[<0.001]	[<0.001]	[0.001]		[0.014]	[0.028]
IS X FS						(0.0011195)		(0.0021338)
						[0.038]		[0.001]
WPD X FS							(-0.0001746)	(-0.0003181)
							[0.087]	[0.013]
_cons	(1140.808)	(17.44181)	(17.45004)	(17.44798)	(1094.372)	(1115.537)	(921.2318)	(1087.873)
	[0.106]	[<0.001]	[<0.001]	[<0.001]	[0.123]	[0.114]	[0.200]	[0.127]
Observations (N)	4532	4532	4532	4532	4532	4532	4532	4532
Number of companies	589	589	589	589	589	589	589	589

Number of variables	5	4	6	7	9	9	9	11
Log pseudolikelihood	-25528.49	-25533.69	-25532.49	-25532.40	-25527.42	-25527.95	-25530.14	-25526.92
Wald Chi2	59.78	44.44	44.03	44.30	63.60	68.47	102.79	91.94
P > Chi	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Random effect parameter Est.	4573.37	4583.87	4581.46	4581.27	4571.21	4572.28	4576.70	4570.20

Table 5: Mixed effect multi-level regression results (Model 8 results in detail)

Variables	Hypotheses	Coef.	Robust SE	Z	Sig.p	LCI (5%)	UCI (5%)
Controls							
Year		-0.53659	0.354724	-1.51	0.13	-1.23184	0.158655
Sector		0.003153	0.002262	1.39	0.163	-0.00128	0.007586
Economic distance		-0.00218	0.001644	-1.32	0.186	-0.0054	0.001047
Cultural distance		0.002239	0.001744	1.28	0.199	-0.00118	0.005656
Knowledge distance		1.44E-05	0.000352	0.04	0.967	-0.00068	0.000705
Geographic distance		-1.67E-06	2.15E-06	-0.77	0.439	-5.89E-06	2.56E-06
Moderator							
Firm size		-0.30457	0.065639	-4.64	0	-0.43322	-0.17592
Hypothesized Direct Effects							
Internationalisation scope (IS)	H1a	-0.06665	0.022116	-3.01	0.003	-0.11	-0.0233
Weighted political distance (WPD)	H2a	-0.00153	0.000694	-2.2	0.028	-0.00289	-0.00017
Hypothesized interaction effects							
IS X FS	H1b	0.002134	0.000626	3.41	0.001	0.000906	0.003361
WPD X FS	H2b	-0.00032	0.000128	-2.49	0.013	-0.00057	-6.8E-05
_cons		1087.873	712.9242	1.53	0.127	-309.433	2485.179
Random-effects							
Random-effects		4570.204	1473.213			2429.681	8596.505