



The Impact of Internationalization on Firm Performance: A Quantile Regression Analysis

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Abstract: In the context of internationalization, we study the impact of a firm's breadth and depth on its performance using quantile regression. Quantile regression allows us to study the effects of internationalization on performance at various quantiles of conditional performance distribution. Our results suggest that breadth (measured by the number of foreign countries where a firm has direct investments) has positive effects on firm performance (measured by Tobin's Q) and depth (measured by the number of foreign investment sites in top two countries divided by total number of foreign investment sites) is negatively correlated with firm performance. The quantile regression analysis also shows that the impacts of breadth and depth are heterogeneous across levels of performance. The implication is that, for firms with high performances, their performances are sensitive to internationalization activities; however, for firms with low performances, the stock market barely recognizes their attempts to internationalize.

1. Introduction

Previous studies have investigated the relation between internationalization