

The Impact of International Diversification on Performance

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Abstract

This study investigates how dynamic capabilities and entrepreneurial orientation jointly shape firms' international diversification and performance through organizational learning mechanisms. Drawing on the dynamic capabilities and international entrepreneurship literatures, we propose and test a model in which both dynamic capabilities and entrepreneurial orientation directly foster international diversification. International diversification, in its turn, enhances social, market and technological learning, which ultimately contribute to firm performance. Using survey data from Portuguese firms, the results provide empirical support for the proposed relationships and highlight organizational learning as a key mediating mechanism linking international diversification to performance outcomes. The findings contribute to the international business literature by clarifying how firms transform international expansion into performance advantages through learning processes. From a managerial perspective, the study underscores the importance of simultaneously developing dynamic capabilities and an entrepreneurial orientation to leverage international diversification as a source of learning and superior performance.

Keywords: dynamic capabilities, entrepreneurial orientation, international diversification, organizational learning, firm performance, international business

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