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ARTICLE

Resource-based View and Contingent Perspective on the Relationship between Geographic Diversification of Businesses and Organizational Performance

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ABSTRACT

Recent meta-analyses have shown that the relationship between international diversification and performance can be moderated by the environment in which the company operates. According to the Contingency Theory, the performance of companies depends on the fit between the structure, processes and organizational environment. According to the Resource-Based View Theory, the way the company manages its resources contributes to its growth and guarantees of competitive advantage, and that resources can be accessed in the environment in which the company operates. Thus, the present work proposes a theoretical framework to analyze the effects of international diversification on the performance of companies based on the dynamism, complexity, and munificence of the companies' operating environment, integrating the theoretical aspects of the Upstream-downstream Hypothesis, Contingency theory and RBV. This work contributes to the theory by proposing the theoretical aspects integration of different theories in the analysis of the relationship between international diversification and performance and allowing the outlining of opportunities for future research.

KEYWORDS

International Diversification, Performance, Resources, Environment

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1. INTRODUCTION

Geographic diversification is a strategy to reduce risk (Rugman, 1976) and increase performance (Lin et al., 2018). However, it is not enough to diversify internationally, according to the Upstream-downstream Hypothesis, risk mitigation depends on the place of origin and destination of the companies' operations (Kwok & Reeb, 2000). To reduce risks and competitive pressure, the tendency for companies from an emerging economy is to diversify into other markets (Lin et al., 2018), as they face challenges and uncertainties due to the immaturity of the domestic market and structural changes in the economy (Nachum, 2004).

In this context, characteristics of the companies' environment may allow or require them to seek and explore opportunities for international diversification (Ruigrok et al., 2013). According to the Contingency theory, the company's performance depends on the fit between structure, processes, and organizational environment (Drazin & Van de Ven, 1985).

Dess and Beard (1984) classified the organizational environment into three dimensions: munificence, dynamism, and complexity. Environmental munificence differs from dynamism and complexity, as the dynamic environment is more challenging, and the complex one is more difficult to manage (Jung et al., 2020), therefore detrimental to performance (Baum & Wally, 2003). Environmental munificence, on the other hand, refers to the scarcity or abundance of critical resources needed to support the sustainable growth of companies (Aldrich, 1979; Castrogiovanni, 1991).

Thus, from a contingency perspective, in dynamic and complex environments, companies diversify internationally to reduce risk (Kwok & Reeb, 2000) and improve their performance (Nachum, 2004; Lin et al., 2018). International diversification can generate positive effects on performance, as it allows organizations to explore existing markets in different countries (Yuan et al., 2016) and internalizes environmental resources that support growth and competitive advantage (Penrose, 1959).

According to the Resource-Based View (RBV) theory, how companies acquire and exploit their versatile, valuable, heterogeneous, and dynamic resources can improve their performance (Penrose, 1959; Wernerfelt, 1984; Barney, 1991), including through international diversification (Pergelova et al., 2019). More munificent environments allow companies to have access to external resources to support their sustainable growth (Aldrich, 1979), providing reserves against competitive and environmental threats, and having positive effects on performance (Baum & Wally, 2003).

The relationship between international diversification and performance is extensively explored in the international business literature. Previous studies have reported a positive, negative, U-shaped, inverted-U, and S-shaped relationship between international diversification and performance and, therefore, the literature is still inconclusive (Dikova & Veselova, 2021). Recent meta-analyses have shown that these relationships can be moderated by the environment in which the company operates, modifying the relationship between international diversification and performance.

These inconclusive results may result from not properly considering the effects of the context of the environment in the company's countries of origin on the relationship between international diversification and performance (Marano et al., 2016). Previous studies (Bausch & Krist, 2007; Kirca et al., 2011) showed that multinationals' country of origin can alter the generally positive relationship between international diversification and performance.

The effects of environmental conditions in the country of multinationals origin remain a topic to be further explored in research on the international diversification of companies (Mezias et al., 2008). Given the above, it becomes relevant to investigate the use of resources by companies to

face environmental contingencies, considering the opportunities for international diversification and their effects on performance.

Therefore, the objective of this theoretical essay is to present a framework in which to analyze the effects of international diversification on the performance of companies, based on the dynamism, complexity, and munificence of the operational environment of companies, integrating the theoretical aspects of the Upstream-downstream Hypothesis, Contingency theory, and RBV.

This study contributes to the theory by suggesting the interlocation between the Upstream-downstream Hypothesis, Contingency, and RBV theories, offering a broader lens for the analysis of international diversification and a deeper understanding of its effect on performance based on dynamism, complexity and availability of resources of the companies operating environment, approaching the country of origin and destination of their activities.

Thus, it contributes to the field by considering the study of multifaceted international diversification, in which company characteristics and the operating environment must be integrated so that the relationship between international diversification and performance is understood through the conciliation of different theoretical aspects.

It also contributes to the field by proposing new lines of research regarding business diversification, considering the regional characteristics of the operating environment of companies within the same country, and making use of concepts from international business literature and Economic Geography in the development of research intra-country diversification.

2. GEOGRAPHIC DIVERSIFICATION OF BUSINESS AND PERFORMANCE

Geographic diversification is a much-studied topic in the international business literature (Lu et al., 2015). It has been studied from the point of view of international diversification (e.g. Rugman, 1976; Kwok & Reeb, 2000; Nachum, 2004; Qian et al., 2008; Qian et al., 2010; Yuan et al., 2016; Lin et al., 2018) and also at the subnational level of subsidiaries location of internationally diversified companies (Castellani et al., 2013; Hutzschenreuter et al., 2020).

Previous research has combined the concepts of international business literature with Economic Geography to investigate the process of international diversification based on the location of subsidiaries in subnational regions of host countries (Dunning, 1998; Meyer & Nguyen, 2005; Chan et al., 2010; Chidlow et al., 2015; Hsu et al., 2017; Teng et al., 2017; Oliveira, 2020; Hutzschenreuter et al., 2020) and, in an incipient way, diversification within a single country (Tsai et al., 2018).

There are gaps in the study of intra-country business diversification, in which, for example, research in the area of regional diversification can use the concepts of international diversification, regarding subnational regions, and investigate its effects on company performance.

For more than 40 years, the effects of international diversification on company performance have drawn the attention of researchers in the field of finance, and they are still inconclusive (Dikova & Veselova, 2021). Furthermore, the investigation of international diversification effects on the performance of companies from emerging markets has been little explored and the results have varied considerably (Banalieva & Sarathy, 2011). Studies that, for example, found a positive linear relationship (Nachum, 2004), U-shaped (Contractor et al., 2007), U-inverted (Elango, 2006) and S shaped (Kumar & Singh, 2008).

Previous studies have investigated the effects of international diversification on performance, analyzing company characteristics (Hsu et al., 2013; Chen et al., 2014; Zhang et al., 2014),

the sector (Wang et al., 2012) and the country (Elango, 2006; Thomas, 2006; Banalieva & Sarathy, 2011), in view of international diversification with several factors in addition to its direct relationship with performance.

Marano et al. (2016) point out that the inconclusive results on the relationship between international diversification and performance result from not properly considering the effects of the environmental context of the companies' countries of origin. Recent meta-analyses (Bausch & Krist, 2007; Kirca et al., 2011; Marano et al., 2016) identified that the country of origin of multinational companies can alter the generally positive effect of international diversification on performance.

International diversification can be defined as the expansion of a company's business beyond the borders of its country to different countries and geographic regions (Capar & Kotabe, 2003), constituting a growth strategy (Yuan et al., 2016; Lin et al., 2018) and also risk reduction for companies (Rugman, 1976; Kwok & Reeb, 2000; Nachum, 2004).

2.1. INTERNATIONAL DIVERSIFICATION: UPSTREAM-DOWNSTREAM HYPOTHESIS

Markowitz (1952), in his portfolio theory, presents the concept of diversification as an instrument for risk reduction. According to this author, the distribution of investments into more than one asset reduces risk, as it allows for a lower risk than that calculated for each asset separately. For Markowitz (1952), when the return of a diversified portfolio corresponds to the weighted average of the returns of its securities, its variance will be smaller than the average variation of its components.

Based on Markowitz's (1952) portfolio theory, Rugman (1976) empirically demonstrated that international diversification allows companies to maximize their overall level of profit/return and reduce exposure to the risk concerning profit. The companies studied showed stability of profit over time compared to their counterparts that sold their products in a single national market. The study showed that the variation in profits (a measure of risk) decreased as a result of the increase in multinationals' foreign operations.

However, it is not enough to diversify internationally for companies to reduce risk. The reduction of risk depends on the market conditions of the origin and the destination of the companies. Kwok and Reeb (2000) suggested the Upstream-downstream Hypothesis, according to which the effects of international diversification on the total and systematic risk of companies varied according to the domestic and destination markets.

The study results support this hypothesis, demonstrating that companies who diversified from more stable to less stable economies (downstream hypothesis) increase their total and systematic risk. On the other hand, companies from less stable economies that diversify into more stable economies (upstream hypothesis) reduce their risk. More recent empirical evidence (Mittoo & Zhang, 2008; Saito & Hiramoto, 2010) has validated the Upstream-downstream Hypothesis and contributes to the understanding that international diversification increases or reduces risk according to the conditions of the multinationals' origin and destination markets.

As a result, international diversification emerges as an important factor in high-risk economies subject to uncertainties arising from instability and rapid structural changes (Nachum, 2004). To Vitrenko et al. (2020) the institutional environment is unique in each country, affecting business development and company behavior. Emerging market companies tend to expand their business to other markets to mitigate the risks and competitive pressure inherent in the emerging economy (Lin et al., 2018).

The influence of the external environment in emerging economies is more pronounced than in developed economies, because the fragility of their institutions generates uncertainty and a random environment, resulting in tensions for companies (Puffer et al., 2010). Thus, characteristics of the companies' environment may allow or require them to seek and explore opportunities for expansion outside their region of origin (Ruigrok et al., 2013).

2.2. INTERNATIONAL DIVERSIFICATION AND PERFORMANCE: CONTINGENT PERSPECTIVE

The environment has a significant impact on organizational structure and strategy (Keats & Hitt, 1985). According to contingency theory, there is no single organizational structure that is substantially effective for organizations (Donaldson, 1998), but organizational performance depends on the fit between organizational structure, processes, and environment (Drazin & Van de Ven, 1985), which is the conformity between the internal characteristics of organizations and external contingencies (Wang & Singh, 2014), which are environmental factors faced by the organizations (Hatch, 2013).

The basis of the contingency theory was formulated by Lawrence and Lorsch (1967) who studied the influence of the environment on organizational structure. Lawrence and Lorsch (1967) verified the relationship between structural characteristics and the environment (economic and market conditions), concluding that, in dynamic environments, efficient companies had greater differentiation and integration. Differentiation relates to the extent in which managers act as quasi-entrepreneurs, while integration is the extent to which sectors act in sync with organizational objectives (Chenhall, 2003). Lawrence and Lorsch (1967) also demonstrated that organizations that were more suited to their environment performed better.

Contingency theory focuses on the question of how organizational characteristics influence one another and result in performance differences (Sirmon et al., 2007). Therefore, organizational characteristics; that is, contingency factors, such as strategy, size, uncertainty regarding tasks, and technology, reflect the influences of the environment in which the organization is inserted, and for the organization to be effective, it must adapt its structure to its contingent factors, and thus to the environment (Donaldson, 1998).

Researchers have investigated how environmental conditions affect organizational settings, such as strategy (Yasai-Ardekani, 2017; Jung et al., 2020), domestic alliances (Park & Mezas, 2005), product diversification (Wan, 2005), and international diversification (Mezas et al., 2008). Domestic market conditions such as limited growth opportunities, strong competition, market saturation, dynamism, hostility, and turmoil drive companies to look for opportunities beyond their home markets (Song & Lee, 2020; Vitrenko et al., 2020).

In addition, business opportunities depend on the resources that a company can access in the environment (Hobdari et al., 2017). Multinational companies from emerging economies try to overcome the low availability of resources in the country of origin by seeking resources abroad (Nachum, 2004; Hobdari et al., 2017).

According to Mezas et al. (2008), international diversification generates more favorable results for companies operating in a market with low availability of resources in the country of origin, as the reduction in dependence on resources can overcome transaction costs. Furthermore, with the high availability of resources in the country of origin, the transaction costs of international diversification decrease the marginal value of accessing resources in foreign markets.

In this sense, under the focus of contingency theory, organizations adjust to the conditions of the organizational environment (Keats & Hitt, 1985), and develop international diversification

strategies (Song & Lee, 2020) to reduce risk (Kwok & Reeb, 2000) and improve performance (Yuan et al., 2016; Lin et al., 2018).

Due to the importance of the environment for the management of resources by companies, the contingency logic must be integrated into the RBV theory (Sirmon et al., 2007), which maintains that the type, magnitude, and nature of resources and capabilities of companies are relevant determinants for their profitability (Amit & Schoemaker, 1993). Aragon-Correa and Sharma (2003) suggest that the link between resources and firm performance depends on the contingencies of a firm's task environment.

2.3. INTERNATIONAL DIVERSIFICATION AND PERFORMANCE: RBV

Resources are stocks of available factors that are owned or controlled by the company, converted into final products or services using a wide range of other assets (Amit & Schoemaker, 1993). Companies can be viewed as a set of tangible and intangible resources, which can offer different platforms for company growth (Penrose, 1959; Pergelova et al., 2019).

Penrose (1959) focuses on the versatility of resources in terms of the services possibilities they can offer to managers (Ferreira et al., 2016) and how they can contribute to the growth of the company (Pergelova et al., 2019). Resource versatility implies its convertibility into a multitude of organizational services (Penrose, 1959). Although they do not meet three of the four characteristics of resources that provide competitive advantage according to Barney (1991), which are rare, inimitable, and irreplaceable resources, versatile resources are valuable and give companies a competitive advantage, due to their potential for deployment, and flexibility in terms of relocation for other purposes (Jung et al., 2020).

In a competitive environment, managers' decisions will reflect attempts to use these resources to improve firm performance, including changing firm boundaries through business diversification (Penrose, 1959). Resources can be deployed in different markets over time (Lockett et al., 2009), and it is not the type of resource itself that matters, but how the resource is used to generate performance (Wernerfelt, 1984).

Thus, the performance of companies does not depend only on the possession of resources, but also on their use (Penrose, 1959), that is, on the capabilities of companies (Ferreira et al., 2016). Tangible and intangible resources articulated with the performance of an organizational function are transformed into organizational capabilities, that is, the company's ability to manage its resources (Floriani, 2010).

According to Beamish and Chakravarty (2021), RBV is a more useful theory in international business for examining the relationship between company characteristics and performance, being, therefore, a theoretical perspective to study the management of companies' resources in the context of the consequences of international diversification on performance.

From the perspective of RBV, previous studies have analyzed the effect of company-level capabilities on the performance of multinational companies. For example, Dhanaraj and Beamish (2003) and Lee et al. (2009) explain the effect of capabilities such as R&D, company size, and position in the domestic market on the export performance of Korean and North American companies, respectively.

Researchers (Floriani, 2010; Verbeke & Forootan, 2012; Buckley & Tian, 2016) have also investigated the relationship between company-specific assets (company-specific capabilities or advantages), international diversification, and performance under the mediation approach. However, this field of research is still emerging and with inconclusive results (Tashman et al., 2019).

Based on the RBV, companies undertake international diversification using internal resources and capabilities to explore existing markets in different countries and improve their performance (Yuan et al., 2016). International diversification also provides access to a previously restricted set of resources and offers opportunities for the creation of new resources (Bausch & Krist, 2007).

The use of RBV in international diversification and performance studies requires the integration of the Upstream-downstream Hypothesis and Contingency theory in the analysis of the operational context of multinational companies in their country of origin and destination. International diversification must be studied, therefore, from the perspective of RBV, considering the country operating environment of origin and destination of the companies, to provide a more holistic view of the of environmental contingencies effects and international diversification on the performance of companies.

3. OPERATING ENVIRONMENT OF COMPANIES

It was from the work of Dess and Beard (1984) that there was an objective operationalization of the organizational environment. Considering the private sphere, these authors proposed to reduce the dimensions summarized by Aldrich (1979), geographic concentration, heterogeneity and stability of the environment components, turbulence, and capacity of the environment, into three dimensions: munificence, dynamism, and complexity.

Rasheed and Prescott (1992) and Porto et al. (2007) replicated Dess and Beard's (1984) model for the North American context with more up-to-date data and the results supported the validity of the original model. In Brazil, Bataglia et al. (2009) concluded that the model was externally valid. Table 1 presents the environmental dimensions and their respective measurements.

Environmental munificence is the level of scarcity or abundance of critical resources necessary for the activities and sustainable development of organizations (Aldrich, 1979; Dess & Beard, 1984; Castrogiovanni, 1991), which facilitate the survival of companies (Porto et al., 2007). Generous environments support the increase of resources within the company and provide reserves against competitive and environmental threats, having positive effects on performance (Baum & Wally, 2003). Low levels of munificence increase competition for ever-smaller resources and negatively affect the company (Mezias et al., 2008).

Environmental dynamism is associated with the rate of the unpredictability of change in the external environment of organizations. Volatility, patternlessness, and unpredictability are the best measures of environmental stability-instability (Dess & Beard, 1984). Environmental dynamism is one of the most important external influences on company performance (Hitt et al., 1998) and is generally detrimental to performance (Baum & Wally, 2003).

Environmental complexity is the degree of dispersion of the environment or heterogeneity of environmental activities that the company develops to ensure its survival in the environment, as well as the degree of knowledge required for this purpose (Aldrich, 1979; Dess & Beard, 1984). Complex environments are more difficult to manage and therefore detrimental to performance (Jung et al., 2020).

4. INTERNATIONAL DIVERSIFICATION AND THE ENVIRONMENTAL DIMENSIONS OF THE COUNTRY OF ORIGIN

From the perspective of the Contingency theory, a framework is presented to investigate the effects of international diversification and the environmental dimensions proposed by Dess and Beard (1984) on the performance of companies. It is proposed the intersection of the concepts

Table 1
Environmental dimensions and measurements

Environmental Dimensions	Measurement
1. Munificence	
1.1 A Growth in total sales	The regression coefficient of the sales value in the considered period is divided by the average value.
1.2 Growth in the price-cost margin	Ditto 1.1, using the difference between value-added and total wages.
1.3 Growth in total employment	Ditto 1.1, using total employment.
1.4 Growth in value-added by Manufacture	Ditto 1.1, using added value.
1.5 Growth in the number of Establishments	Annual average percentage change in the number of establishments.
2. Dynamism	
2.1 Instability in total sales	Standard error of the regression coefficient of sales in the period considered divided by the average value.
2.2 Price-cost margin instability	Ditto 2.1, using value-added minus total wages.
2.3 Instability in total employment	Ditto 2.1, using total employment.
2.4 Value-added instability	Ditto 2.1, using added value.
3. Complexity	
3.1 Geographic concentration of sales of the industry	Sum of the square of the sales volume in each census division, divided by the square of the total sales volume in all the census divisions.
3.2 Geographic concentration of value added by manufacture	Ditto 3.1, however, with the added value.
3.3 Geographic concentration of the number of employees	Ditto 3.1, however, with total employment.
3.4 Geographic concentration of the number of industry establishments	Ditto 3.1, however, with the number of establishments.

Source: Adapted from Dess and Beard (1984)

of the Upstream-downstream Hypothesis of Kwok and Reeb (2000) and the RBV of Penrose (1959) and Barney (1991) with environmental dynamism and complexity. In addition, the intersection of RBV concepts with environmental munificence.

Figure 1 presents the scenario matrices that can be structured based on the relationship between international diversification, the dynamism/complexity and munificence of the companies operating environment.

4.1. INTERNATIONAL DIVERSIFICATION AND THE DYNAMISM/COMPLEXITY OF THE COUNTRY OF ORIGIN

The characteristics of the environment can lead companies to explore opportunities for international diversification (Ruigrok et al., 2013) to reduce risk by diversifying towards a more stable economy (Kwok & Reeb, 2000), as well as using their versatile resources to improve performance and ensure competitive advantage (Penrose, 1959; Jung et al., 2020).

Less stable environments due to the degree of dynamism and complexity can offer more risk to business activity. The dynamism makes the environment challenging for managers and the complexity makes the environment more difficult to manage (Jung et al., 2020).

Therefore, companies from emerging countries can diversify internationally to more stable environments to reduce risk (upstream hypothesis) (Kwok & Reeb, 2000), use internal resources to access other markets, take advantage of opportunities to create new resources that were previously restricted and improve performance (Bausch & Krist, 2007; Yuan et al., 2016).

Figure 2 presents an overview of the framework and then the hypotheses that can be raised according to the scenarios shown in Figure 1 are discussed, regarding the effects of international diversification and environmental dynamism/complexity on company performance.

4.1.1. Greater international diversification and greater dynamism/complexity (Scenario A)

In the scenario in which companies with **greater international diversification** operate in an environment with **greater dynamism and complexity** in their country of origin, it is suggested that these companies have **positive effects on their performance**.

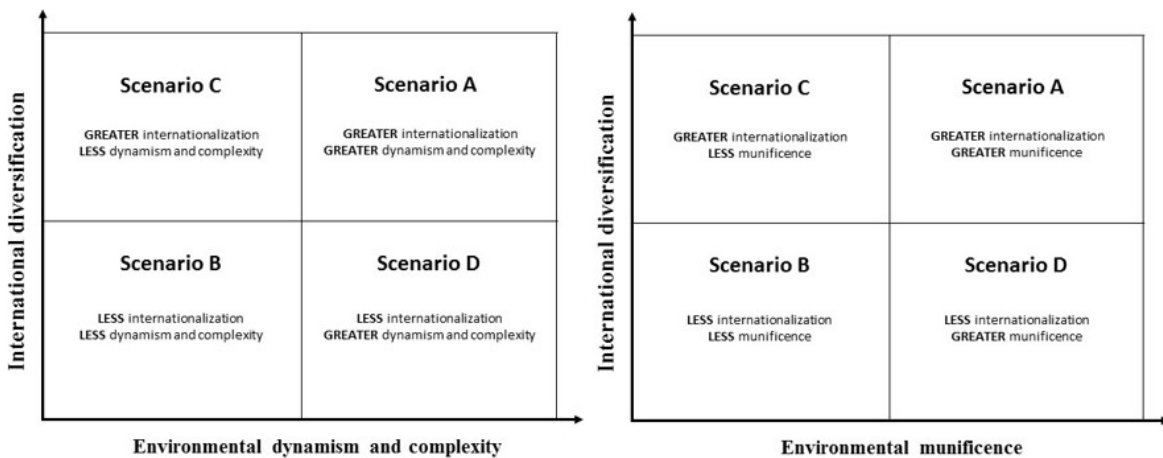


Figure 1 - Scenarios of international diversification versus environmental dimensions

Source: Prepared by the authors (2022).

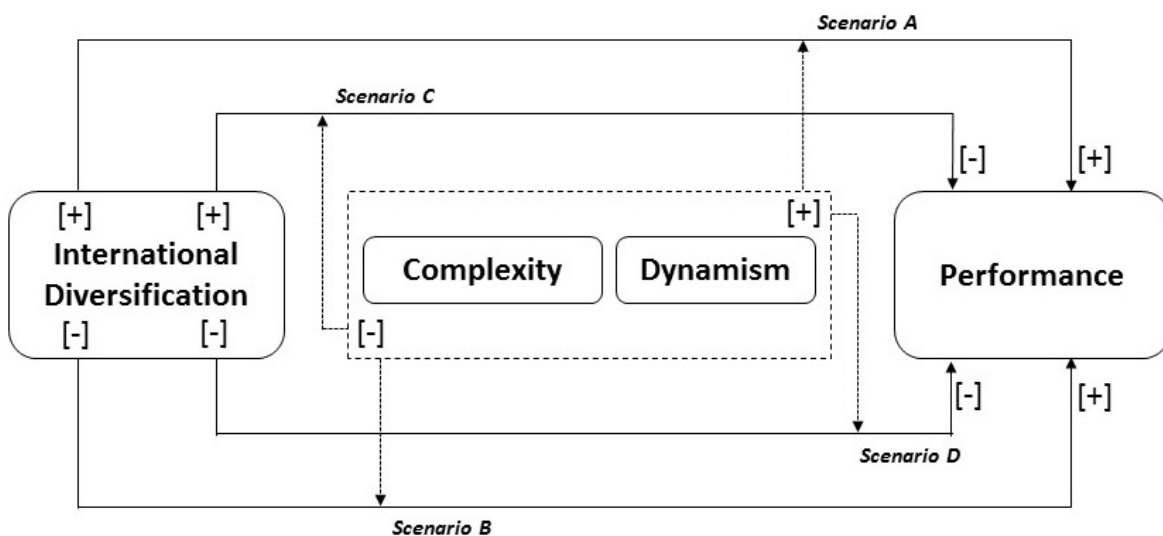


Figure 2 - Framework: international diversification and performance with environmental dynamism/complexity

Source: Prepared by the authors (2022).

Note: The arrows of the framework do not indicate a cause and effect relationship, but only relationships to discuss hypotheses.

From the point of view of contingency theory, performance depends on the company's adjustment to the organizational environment (Drazin & Van de Ven, 1985; Donaldson, 1998). Thus, companies that operate in a less stable national environment, which is detrimental to performance (Baum & Wally, 2003; Jung et al., 2020), can diversify into a more stable economy and reduce their risks, as recommended by the upstream hypothesis by Kwok and Reeb (2000).

In addition to reducing risks, according to the RBV, companies can diversify internationally to gain access to new resources and improve performance (Yuan et al., 2016). In addition, international diversification can increase organizational capabilities and improve performance (Floriani, 2010). How managers use versatile resources (Penrose, 1959; Wernerfelt, 1984; Lockett et al., 2009) can improve the performance of companies and ensure competitive advantage.

Therefore, in a scenario of greater dynamism and complexity in the country of origin, international diversification while reducing risk (upstream hypothesis) improves organizational performance and provides a competitive advantage (RBV).

4.1.2. Less international diversification and less dynamism/complexity (Scenario B)

In the scenario in which companies with **less international diversification** operate in an environment with **less dynamism and complexity** in their country of origin, it is suggested that these companies have **positive effects on their performance**.

If less stable environments are harmful to the results (Baum & Wally, 2003; Jung et al., 2020) then a more stable national environment can be beneficial to the companies results. Thus, companies would not need to have a higher level of internationalization to reduce risk (upstream hypothesis).

In addition, companies seek environments that foster organizational growth and stability (Aldrich, 1979). If a national environment is more stable, or, that is, easier to manage and less challenging (Jung et al., 2020), according to the RBV, companies can concentrate the use of versatile resources (Penrose, 1959) in the national market, improving the performance and ensuring competitive advantage.

Therefore, in a scenario of less dynamism and complexity in the country of origin, a greater presence in the domestic market can improve performance and ensure a competitive advantage.

4.1.3. Greater international diversification and less dynamism/complexity (Scenario C)

In the scenario in which companies with **greater international diversification** operate in an environment with **less dynamism and complexity** in their country of origin, it is suggested that these companies have **negative effects on their performance**.

An environment with strong competition, market saturation, dynamism, hostility, and turmoil can make companies look for opportunities with international diversification (Song & Lee, 2020; Vitrenko et al., 2020). If companies operate in a more stable national environment, they would not need to have a greater level of international diversification to reduce risk (upstream hypothesis), as this environment would be more beneficial to performance as it is easier to manage and less challenging (Baum & Wally, 2003; Jung et al., 2020).

Therefore, in a scenario of less dynamism and complexity in the country of origin, greater performance in the international market can harm organizational performance, as companies can access and use their versatile resources (Penrose, 1959) where environmental conditions are more favorable conditions to improve performance and ensure competitive advantage.

4.1.4. *Less international diversification and greater dynamism/complexity (Scenario D)*

In the scenario in which companies with **less international diversification** operate in an environment with **greater dynamism and complexity** in their country of origin, it is suggested that these companies have **negative effects on their performance**.

As already discussed in item 4.1.1, companies operating in a less stable environment can diversify internationally to reduce risk (Kwok & Reeb, 2000) and improve performance (Penrose, 1959; Wernerfelt, 1984; Lockett et al., 2009).

Thus, in a scenario of greater dynamism and complexity in the country of origin, which is detrimental to performance (Baum & Wally, 2003; Jung et al., 2020), lower performance in the international market can harm organizational performance.

4.2. **INTERNATIONAL DIVERSIFICATION AND THE MUNIFICENCE OF THE COUNTRY OF ORIGIN**

Companies seek environments that provide organizational growth and stability (Aldrich, 1979). More munificent environments allow companies to have access to external resources to support their sustainable growth (Aldrich, 1979), and provide reserves against competitive and environmental threats, having positive effects on performance (Baum & Wally, 2003).

In this sense, companies from emerging markets with less availability of resources can diversify internationally to have access to resources in the foreign market, obtain different platforms for their growth (Pergelova et al., 2019) and improve performance (Penrose, 1959; Wernerfelt, 1984).

Figure 3 presents an overview of the framework and then the hypothesis that can be raised according to the scenarios shown in Figure 1 are discussed, regarding the effects of international diversification and environmental munificence on company performance.

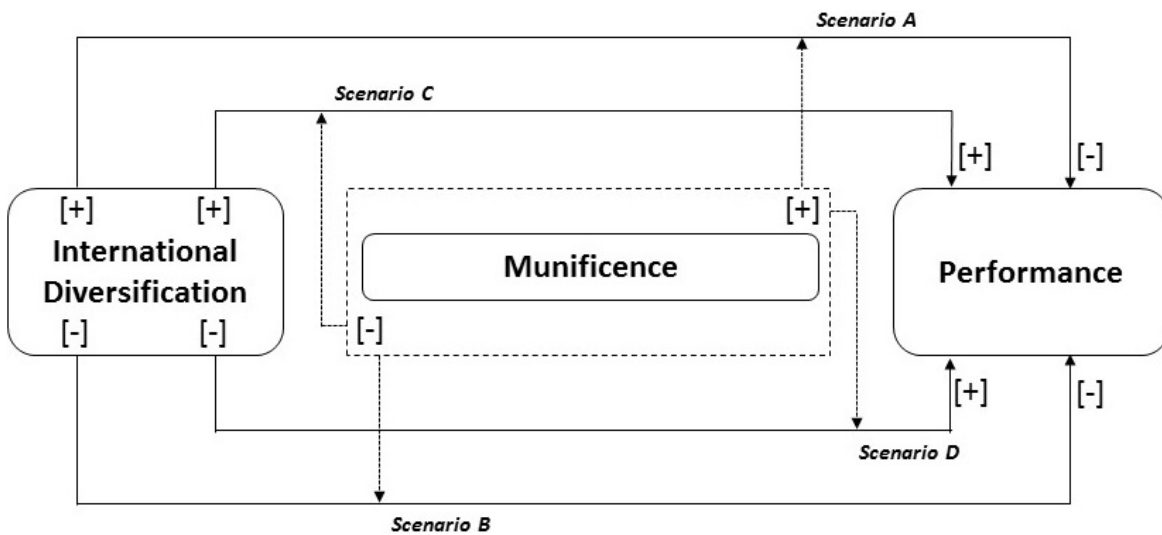


Figure 3 - Framework: international diversification and organizational performance with environmental munificence

Source: Prepared by the authors (2022).

Note: The arrows of the framework do not indicate a cause and effect relationship, but only relationships to discuss hypotheses.

4.2.1. Greater international diversification and greater munificence (Scenario A)

In the scenario in which companies with **greater international diversification** operate in an environment with **greater munificence** in their country of origin, it is suggested that these companies have **negative effects on their performance**.

More generous environments support the increase of resources within the company and support its sustainable growth (Aldrich, 1979; Castrogiovanni, 1991), having positive effects on performance, as they provide reserves against competitive and environmental threats (Baum & Wally, 2003).

As a more generous environment in terms of resources can have positive effects on the result (Baum & Wally, 2003), in a scenario of greater munificence in the country of origin, greater performance in the international market can harm the organizational performance, as companies may have access to and use its versatile resources (Penrose, 1959) where environmental conditions are more favorable to improve performance and ensure competitive advantage.

4.2.2. Less international diversification and less munificence (Scenario B)

In the scenario in which companies with **less international diversification** operate in an environment with **less munificence** in their country of origin, it is suggested that these companies have **negative effects on their performance**.

According to Mezas et al. (2008) environments with low levels of munificence increase the competitiveness for resources and negatively affect the company. According to the RBV, companies diversify internationally using internal resources to explore markets in other countries and improve their performance (Yuan et al., 2016).

Thus, according to the RBV, in a scenario of lower munificence in the country of origin, lower performance in the international market can harm organizational performance, as companies reduce access to versatile resources (Penrose, 1959) to improve the result and guarantee an advantage. competitive.

4.2.3. Greater international diversification and less munificence (Scenario C)

In the scenario in which companies with **greater international diversification** operate in an environment with **less munificence** in their country of origin, it is suggested that these companies have **positive effects on their performance**.

Companies in less generous markets can diversify internationally to have access to resources in the foreign market, obtain different platforms for their growth (Pergelova et al., 2019) and improve the performance (Penrose, 1959; Wernerfelt, 1984). International diversification from a less generous environment generates more favorable results (Mezas et al., 2008).

In this sense, international diversification allows companies to have access to resources in the foreign market, which may be limited in their countries of origin (Nachum, 2004). Thus, according to the RBV, in a scenario of less munificence in the country of origin, greater performance in the international market can benefit organizational performance, as companies increase their access to versatile resources (Penrose, 1959) in order to improve results and ensure competitive advantage.

4.2.4. Less international diversification and greater munificence (Scenario D)

In the scenario in which companies with **less international diversification** operate in an environment with **greater munificence** in their country of origin, it is suggested that these companies have **positive effects on their performance**.

As already discussed in item 4.2.1, more generous environments support the increase of resources within the company and support its sustainable growth (Aldrich, 1979; Castrogiovanni, 1991), having positive effects on performance, as they provide reserves against competitive and environmental threats (Baum & Wally, 2003).

Therefore, from the perspective of the RBV, in a scenario of greater munificence in the country of origin, lower performance in the international market can benefit organizational performance, as companies can access and use their versatile resources (Penrose, 1959) where environmental conditions are more favorable to improve the results and ensure a competitive advantage.

According to the integration of the theoretical perspectives discussed in this study, Table 2 presents a final systematization of the results obtained in each proposed scenario.

Table 2
Systematization of results by scenario

Scenario	Degree of dynamism and complexity	International Diversification Degree	Performance effect
A	Greater	Greater	Positive
B	Less	Less	Positive
C	Less	Greater	Negative
D	Greater	Less	Negative
Scenario	Munificence Degree	International Diversification Degree	performance effect
A	Greater	Greater	Negative
B	Less	Less	Negative
C	Less	Greater	Positive
D	Greater	Less	Positive

Source: Prepared by the authors (2022).

5. FINAL CONSIDERATIONS

The main contribution of this study lies in the proposition of integrating theoretical aspects of different theories in the analysis of the relationship between geographic diversification and company performance, allowing the outlining of opportunities for future research.

The concepts of the Upstream-downstream Hypothesis, Contingency theory and RBV were discussed in the context of the businesses geographic diversification, more specifically the international diversification. We sought to integrate aspects of the home country task environment of multinational companies with the relationship between international diversification and company performance since the international business literature has shown mixed and inconclusive results.

We observed that the relationship between international diversification and performance can be explored by addressing the interaction of the theoretical perspectives of the Upstream-downstream Hypothesis, Contingency theory and RBV. Consider, for example, a company from an emerging country that operates in an environment with low availability of resources, which diversifies internationally in order to have access to versatile resources and uses them in a dynamic or complex environment (understood as having greater risk) in the domestic market. Or even, an emerging country company that expands its sales to the foreign market or invests directly abroad, as a way of increasing scale and scope, internalizes resources and uses them in a more or less generous domestic environment. These are questions that can be answered in light of the interlocation of these theories.

In addition, it was observed that more recent studies have examined the internationalization of companies through mediation, seeking a more holistic view of this phenomenon. The analysis of international diversification, the use of resources and their effects on the company's performance, depending on the task environment in which it is inserted can be carried out through mediation.

Previous research has investigated the indirect effect of international diversification on performance mediated by firm-specific assets, such as, for example, competencies generated in the internationalization process. It is suggested that further research study and propose new variables at the company level related to the international diversification process, such as assets that meet the characteristics proposed by Penrose (1959) and Barney (1991).

As for the environment of origin and destination of the internationally diversified company, it is suggested that researchers examine the effects of international diversification on performance, taking into account the operational environment at the regional level if the munificence, dynamism, and complexity of the region where the company is located moderate this relationship. Location can be a determinant of the performance of exporting companies, especially concerning the availability of resources for their activities.

It is also proposed that future studies adopt the concepts of international business literature and environmental contingencies to the context of intra-country diversification, and regional diversification. Brazil, for example, is a country of continental dimensions which has in its geographic extension several subnational regions that are different in their cultural, social, legal, institutional, and economic aspects.

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AUTHOR'S CONTRIBUTION

AJ: Research; Development of the trial. VS: Design and review of the trial.

CONFLICTS OF INTEREST

The authors declare no conflicts of interest.