INTERNATIONAL MARKET EXPANSION STRATEGIES AND THEIR EFFECT ON FIRM PERFORMANCE: AN EMPIRICAL STUDY OF VIETNAMESE DAIRY FIRMS

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ABSTRACT

Underpinned by Internationalization Theory and Dynamic Capabilities Theory, the study investigates the impact of international market expansion strategies on the financial performance of Vietnamese dairy firms using a longitudinal dataset from 2003 - 2024. Regression models were used to test the effects of these strategies on firm performance, controlling for firm size, leverage, and market conditions. Findings reveal that international expansion and mergers and acquisitions positively influence firm performance, consistent with the view that global diversification and resource reconfiguration strengthen competitive advantage. In contrast, market penetration and market development strategies are negatively associated with ROA, suggesting potential inefficiencies when firms rely heavily on domestic saturation or incremental foreign entry. The study contributes to international business literature by contextualizing expansion strategies within an emerging market setting. Practically, it offers policy and managerial insights into how Vietnamese firms can balance growth ambitions with sustainable performance in increasingly competitive global markets.

Keywords: *International market expansion strategies, firm performance, Vietnamese dairy firms.*

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1. INTRODUCTION

International expansion has become an increasingly important strategic direction for firms operating in emerging economies as they seek to enhance competitiveness, diversify revenue sources, and access larger consumer markets. In recent years, Vietnamese dairy firms have intensified their internationalization efforts through a variety of expansion strategies, including exporting, joint ventures, mergers and acquisitions (M&A), digital transformation, and product adaptation for foreign markets. These strategic activities are driven by growing global demand for nutritional and functional dairy products, as well as the need for firms to overcome saturation and intensifying competition in the domestic market.

Despite this trend, empirical evidence on how international expansion affects the performance of dairy firms in emerging economies remains limited. While internationalization is often assumed to improve firm performance by enabling access to new markets and economies of scale, existing research shows mixed outcomes. Some firms experience performance gains, whereas others encounter high entry costs, institutional challenges, and increased exposure to external risks such as exchange rate fluctuations and geopolitical disruptions. These inconsistent findings highlight the need to examine not only whether international expansion influences performance, but also which specific expansion strategies generate positive outcomes.

The dairy industry presents a particularly important context for this inquiry. Dairy products are perishable, highly regulated, and sensitive to consumer preferences, making international expansion complex and resource intensive. Vietnamese dairy firms face additional constraints related to technological capability, brand positioning, and compliance with global quality standards. As a result, the performance impact of internationalization may differ significantly depending on the strategy employed and the firm's underlying capabilities.

This study investigates the relationship between international market expansion strategies and firm performance in the Vietnamese dairy sector over the period 2003-2024. By distinguishing between multiple strategic modes-including market penetration, market development, entry into new foreign markets, M&A, diversification, sustainability-oriented initiatives, and digital transformation-the study provides a nuanced understanding of which strategies yield measurable performance benefits. Using a firm-year panel dataset and random-effects regression models, this research contributes to the literature on international business by identifying strategy-specific effects and highlighting the conditions under which international expansion improves financial performance.

The findings offer important implications for managers, policymakers, and industry stakeholders seeking to promote sustainable global growth among dairy firms in emerging markets.

2. LITERATURE REVIEW

2.1. Theoretical Foundations

Internationalization is a central topic in strategic management, particularly for firms in emerging economies seeking growth beyond domestic boundaries. Two theoretical perspectives provide the foundation for understanding how firms expand internationally and how such actions influence performance: the Internationalization Theory and the Dynamic Capabilities Theory.

The Internationalization Theory, particularly the Uppsala Model [1], posits that firms internationalize gradually through incremental learning and the accumulation of experiential knowledge. Firms typically begin with low-commitment entry modes-such as exporting to psychically close markets-and later progress to higher-commitment strategies like joint ventures or wholly owned subsidiaries as their familiarity with foreign environments increases. Complementing this view, Dunning's Eclectic (OLI) Paradigm argues that firms expand overseas when they possess ownership-specific advantages, identify attractive location-specific benefits, and can internalize operations more efficiently than relying on external market mechanisms.

However, these theories do not fully explain how firms maintain competitiveness amid global complexity, where markets are volatile and institutional conditions vary widely. Dynamic Capabilities Theory [2] addresses this gap by emphasizing the firm's ability to sense opportunities and threats, seize appropriate strategic options, and reconfigure internal processes to remain adaptable. For dairy firms-where perishability, regulatory compliance, and product adaptation are critical-dynamic capabilities such as supply-chain agility, quality assurance, and international market intelligence are essential for achieving successful and sustainable international expansion.

These perspectives suggest that international expansion outcomes depend not only on the choice of entry mode but also on the firm's ability to learn, adapt, and leverage unique capabilities within foreign market environments.

2.2. International Expansion Strategies

International expansion strategy encompasses the decisions and actions firms undertake to enter and compete in foreign markets. These strategies include exporting, licensing, franchising, joint ventures, mergers and acquisitions (*M&A*), foreign direct investment (*FDI*), market penetration, and market development. Each mode requires varying levels of resource commitment, risk exposure, and managerial capacity.

Exporting is often the first step in the internationalization process due to its low entry cost and minimal risk. Market penetration strategies involve deepening presence in existing markets by increasing market share or distribution coverage. Market development strategies aim to introduce existing products into new markets, typically requiring adaptation to cultural, regulatory, or logistical conditions. Higher-commitment strategies include joint ventures and M&A, which provide immediate access to local capabilities, distribution networks, and institutional knowledge. M&A can accelerate internationalization by enabling firms to acquire assets, technology, or established brands in foreign markets.

For firms in emerging economies, the choice of international expansion strategy is influenced not only by internal resources but also by institutional conditions, market characteristics, and competitive pressures. In the dairy industry-where success depends on cold-chain logistics, strict food safety standards, and product freshness-firms may prioritize strategies that grant immediate access to infrastructure or distribution networks. Moreover, demand heterogeneity across countries (e.g., preference for low-sugar dairy in Korea, HALAL products in the Middle East) often requires strategic product adaptation and localized marketing efforts.

International expansion is not a homogeneous process. Different strategies pose different risks and require different capabilities, which may lead to varying performance outcomes.

2.3. International Expansion and Firm Performance

The relationship between international expansion and firm performance has been widely studied, but empirical findings remain mixed. Some studies show that entering new markets improves firm performance through economies of scale, risk diversification, and access to new customer bases [3]. International activities can also enhance learning and innovation, which improves long-term competitiveness. However, other studies suggest that internationalization may reduce performance when firms face high coordination costs, institutional uncertainty, or cultural barriers [4].

The positive linear perspective argues that performance increases as firms internationalize, especially when firms exploit ownership-specific advantages across markets.

The non-linear view proposes a U-shaped or inverted-U relationship, suggesting that firms may initially experience performance declines due to liability of foreignness but later benefit once they adapt and gain experience.

The strategy-specific view emphasizes that outcomes depend on the type of expansion strategy rather than the degree of internationalization. Strategies such as M&A or greenfield investments may yield stronger performance effects than exporting or incremental market development.

In the dairy sector, performance outcomes are shaped by supply-chain quality, compliance with international food standards, and brand strength. Firms capable of maintaining product freshness, regulatory compliance, and cost efficiency tend to perform better in international markets. Conversely, firms that lack logistical capabilities or market knowledge may struggle, resulting in lower performance despite expansion efforts.

Given these mixed findings, evaluating international expansion requires distinguishing between specific strategies and examining their distinct effects on firm performance. This study follows this approach by analyzing eight types of expansion strategies and their relationship with Return on Assets (ROA).

2.4. Research Gaps

Although international expansion has been widely studied, several gaps persist, particularly in the context of dairy firms in emerging economies.

Most prior studies rely on cross-sectional data, limiting understanding of how expansion strategies influence performance over time. Longitudinal analyses, especially in niche industries such as dairy, remain scarce. Existing research tends to focus on single internationalization measures-such as export intensity or multinationalism-rather than analyzing multiple strategies concurrently. As dairy firms often employ several strategies simultaneously (e.g., exporting, product adaptation, digital transformation), examining strategy-specific effects is necessary.

The unique institutional and logistical challenges in Southeast Asia-such as fragmented regulations, infrastructure limitations, and cultural diversity-are underexplored. These contextual factors are particularly relevant for dairy firms. Most literature emphasizes quantitative models but lacks qualitative insights into managerial decision-making, adaptive learning, and risk mitigation during internationalization. The impact of external shocks (e.g., COVID-19, global supply-chain disruptions, exchange rate volatility) on dairy firms' expansion outcomes remains insufficiently examined.

This study addresses these gaps by analyzing strategy-level internationalization over a 21-year period, incorporating both firm-level and macroeconomic factors, and focusing specifically on the Vietnamese dairy industry.

2.5. Hypothesis Development

These insights indicate that while international market expansion is generally associated with better financial performance, especially in emerging markets like Vietnam, the relationship can be more complex in practice. Performance outcomes may depend on the pace, scale, and mode of expansion, as well as firm - specific capabilities and industry characteristics. Therefore, this study focuses on examining whether a positive relationship exists between international expansion and ROA, within the specific context of the Vietnamese dairy industry. Based on this background and literature review, the following hypothesis is proposed:

H_0: *Firms that engage in international market expansion strategies tend to exhibit better performance.*

3. DATA AND METHODOLOGY

3.1. Data

This study uses a longitudinal firm-level dataset covering the period 2003 - 2024, which reflects the internationalization activities and performance of major Vietnamese dairy companies. The sample consists of all publicly listed firms in dairy industry. These firms were selected because they represent the largest and most internationally active players in the Vietnamese dairy industry, and they provide consistent financial reporting across the examined period.

International expansion activities were compiled manually from annual reports, news releases, and company disclosures. These include exporting, market development, product adaptation, joint ventures, foreign direct investment, mergers and acquisitions (M&A), digital transformation, and participation in international exhibitions. Each strategy was coded as a binary variable (1 = strategy used each year; 0 = otherwise).

The final dataset is a balanced panel with 71 firm-year observations.

International strategies

Market Penetration is a strategy focuses on further exploiting existing markets by optimizing available resources and improving sales efficiency. It is coded 1 when a firm employs that strategy during the examined year, or 0 when a firm does not engage in activity related to it over that year.

Market Development is a strategy focuses on expanding geographical reach and customer base, creating a move into new areas when the current market reaches saturation. It is coded 1 when a firm employs that strategy during the examined year, or 0 when a firm does not engage in activity related to it over that year.

Product Development is a strategy is based on R&D capabilities and innovation, perfecting the business to continuously improve to maintain competitiveness. It is coded 1 when a firm employs that strategy during the examined year, or 0 when a firm does not engage in activity related to it over that year.

Diversification is a strategy focuses on opening up the database to completely new industries or sectors. It is coded 1 when a firm employs that strategy during the examined year, or 0 when a firm does not engage in activity related to it over that year.

International Expansion is a strategy suggests businesses can rapidly expand into new markets through the acquisition of services or alliances with local companies, instead of investing heavily in infrastructure and building from scratch. It is coded 1 when a firm employs that strategy during the examined year, or 0 when a firm does not engage in activity related to it over that year.

Mergers & Acquisitions (M&A) is a strategy that allows businesses to enter foreign markets rapidly by acquiring existing companies or forming strategic alliances with local firms, rather than building a new presence from the ground up. It is coded 1 when a firm employs that strategy during the examined year, or 0 when a firm does not engage in activity related to it over that year.

Sustainability & Green Growth is a strategy that allows businesses to develop environmentally friendly products, optimize green supply chains, and ensure transparency in governance. It is coded 1 when a firm employs that strategy during the examined year, or 0 when a firm does not engage in activity related to it over that year.

Digital Transformation is a strategy focuses on lowering entry barriers, improving responsiveness to foreign market trends, and facilitating scalable international operations. It is coded 1 when a firm employs that strategy during the examined year, or 0 when a firm does not engage in activity related to it over that year.

Operational performance

In corporate financial analysis, there is a key indicator widely used to measure performance, ROA (Return on Assets). This index is calculated using the formula: ROA reflects the level of profit per unit of assets held by the enterprise, according to the formula:

$$ROA = \text{Net profit for common shareholders/Total assets} \quad (1)$$

This index helps assess the level of efficiency in using total assets (including loans and equity) to generate profits. High ROA shows that the enterprise operates assets effectively, manages costs well, and has stable profitability.

3.2. Model

These variables are used as independent variables in a linear regression model to assess the impact of each strategy on the dependent variable, financial performance (ROA). The expected quantitative model can be represented as follows:

Firm Performance = α_0 + β_1International Market Expansion Strategies + β_2FirmAge + β_3Leverage + β_4GDPGrowth + β_5InflationRate + β_6EXCH_VOLVNDUSD + YEAR_FE + FIRM_FE + ε (2)

where Firm performance - the dependent variable - represents the proportion of net income to total assets (see section 3.1). The main independent variable is International Market Expansion, which is assessed using eight proxies (refer to Section 3.1). There is also a set of control variables (see Appendix A) and cluster standard errors at the firm level to account for heteroskedasticity and within - firm correlation.

4. RESULT AND DISCUSSION

4.1. Descriptive statistics

Table 1 presents the summary statistics of the variables used in the empirical analysis, covering strategic variables, firm performance, and key control variables.

Table 1. Summary statistics

	Mean	Std. Dev.	P5	P25	Median	P75	P95
Dependent variables							
Market penetration	0.803	0.401	0.000	1.000	1.000	1.000	1.000
Market development	0.704	0.460	0.000	0.000	1.000	1.000	1.000
International expansion	0.338	0.476	0.000	0.000	0.000	1.000	1.000
Product development	0.746	0.438	0.000	0.000	1.000	1.000	1.000
M&A	0.155	0.364	0.000	0.000	0.000	0.000	1.000
Diversification	0.197	0.401	0.000	0.000	0.000	0.000	1.000
Sustainability GreenGrowth	0.451	0.501	0.000	0.000	0.000	1.000	1.000
Digital transformation	0.296	0.460	0.000	0.000	0.000	1.000	1.000
Independent variables							
ROA	0.151	0.113	0.000	0.060	0.159	0.222	0.316
Control variables							
Age	0.288	0.161	0.090	0.170	0.240	0.390	0.630
Leverage	0.385	0.193	0.126	0.263	0.331	0.488	0.783
GPD Growth	0.613	0.158	0.260	0.540	0.650	0.700	0.820
Inflation Rate	0.563	0.524	0.183	0.294	0.325	0.672	1.868
EXCH_VOLVNDUSD	0.212	0.026	0.159	0.200	0.227	0.232	0.232

The dependent variable in the analysis is Return on Assets (ROA), which reflects firm performance. The mean ROA is 0.151, indicating that on average, dairy firms in the sample earned a return of approximately 15.1% on their assets. The standard deviation of 0.113 suggests moderate variation in performance across firms and time.

The strategic variables, which represent different types of growth and expansion strategies, are mostly binary, indicating whether a firm adopted the strategy each year (1) or not (0). Among these, market penetration has the highest mean, followed closely by product development and market development. This indicates that most dairy firms in the sample actively focused on enhancing their current market position and innovating their product offerings. In contrast, international expansion has a lower mean of 0.338, suggesting that only about one - third of firm - year observations involved some form of foreign market engagement. Other strategic activities like mergers and acquisitions (M&A) and diversification are less common. Meanwhile, sustainability and green growth and digital transformation show that environmental and digital strategies are gaining moderate traction.

4.2. Correlations

Table 2 reports the pairwise correlation coefficients among all key variables in the study, including firm strategies and performance (ROA). Several statistically significant relationships emerge, shedding light on how different strategic choices and contextual factors relate to each other and to firm performance.

ROA, the dependent variable, is significantly and negatively correlated with market penetration, market development, and M&A, suggesting that firms pursuing these strategies might experience lower short - term profitability. On the other hand, international expansion shows a modest positive correlation with ROA, hinting at potential performance benefits from entering foreign markets. This supports the main research hypothesis that international strategies can positively impact firm outcomes. However, it is important to note that correlation does not imply causation - this result only provides a preliminary indication of a possible relationship. The causal effects of international expansion on firm performance will be further examined through the regression models presented in the subsequent section. Interestingly, sustainability and green growth also positively correlate with ROA, reinforcing the growing evidence that environmental initiatives can enhance performance.

Table 2. Pairwise Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Market penetration	1.000								
(2) Market development	0.765***	1.000							
	(0.000)								
(3) International expansion	-0.469***	-0.255**	1.000						
	(0.000)	(0.032)							
(4) Product development	0.444***	0.261**	0.006	1.000					
	(0.000)	(0.028)	(0.962)						
(5) M&A	-0.668***	-0.490***	0.270**	-0.287**	1.000				
	(0.000)	(0.000)	(0.023)	(0.015)					
(6) Diversification	-0.021	0.088	0.469***	0.045	0.179	1.000			
	(0.860)	(0.463)	(0.000)	(0.711)	(0.135)				
(7) Sustainability GreenGrowth	0.022	-0.219*	0.370***	0.201*	-0.075	0.476***	1.000		
	(0.855)	(0.066)	(0.002)	(0.090)	(0.535)	(0.000)			
(8) Digital transformation	-0.067	0.082	0.581***	0.165	-0.107	0.532***	0.653***	1.000	
	(0.581)	(0.497)	(0.000)	(0.170)	(0.375)	(0.000)	(0.000)		
(9) ROA	-0.499***	-0.472***	0.232*	-0.080	0.453***	0.035	0.116	-0.007	1.000
	(0.000)	(0.000)	(0.052)	(0.507)	(0.000)	(0.775)	(0.334)	(0.956)	

Some strategic variables exhibit strong interrelationships. For example, market penetration and market development are highly correlated, indicating that firms often pursue both strategies simultaneously. Digital transformation is also strongly associated with sustainability and international expansion, implying that technological adaptation may complement broader strategic ambitions. Meanwhile, M&A activity is negatively correlated with market - based strategies like market penetration and market development, suggesting differing paths to growth.

4.3. Baseline results

Table 3 presents the regression results examining the relationship between various international market expansion strategies and firm performance, measured by Return on Assets (ROA). Each column corresponds to a distinct strategy used as the independent variable, with firm - and year - fixed effects included to control for unobserved heterogeneity and time - specific shocks. Panel A shows OLS regression results as well as Panel B provides robustness by applying REM regression.

The results demonstrate that not all internationalization strategies positively impact firm performance. Specifically, market penetration and market development are negatively and significantly associated with ROA. This suggests that aggressive or over - reliant efforts to deepen or expand within existing foreign markets may strain resources or fail to generate sufficient returns, particularly if these strategies are not supported by adequate differentiation or efficiency gains. In contrast, international expansion through new market entry shows a positive and significant effect on ROA, indicating that venturing into previously untapped international markets can enhance firm performance, likely through diversification of revenue streams and access to new customer bases. Similarly, Mergers and Acquisitions (M&A) yield a strong positive impact, reinforcing the notion that strategic alliances and acquisitions allow for rapid market access and operational synergies. Diversification also shows a modest yet statistically significant benefit, suggesting that broadening product or market scope may contribute to firm stability and long - term returns.

Table 3. Regressions

Dep.var =	**ROA**							
Panel A	**OLS**							
Market penetration	-0.118***							
	(0.000)							
Market development		-0.105***						
		(0.000)						
International expansion			0.082***					
			(0.004)					
Product development				0.019				
				(0.485)				
M&A					0.120***			
					(0.000)			
Diversification						0.060*		
						(0.094)		
Sustainability GreenGrowth							0.023	
							(0.379)	
Digital transformation								-0.045
								(0.168)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs	71	71	71	71	71	71	71	71
Adj. R^2	0.345	0.366	0.287	0.194	0.329	0.290	0.198	0.212
Panel B	**REM**							
Market penetration	-0.118***							
	(0.030)							
Market development		-0.105***						
		(0.024)						
International expansion			0.082***					
			(0.027)					
Product development				-0.020				
				(0.028)				
M&A					0.120***			
					(0.032)			
Diversification						0.059*		
						(0.035)		
Sustainability GreenGrowth							0.023	
							(0.026)	
Digital transformation								- 0.045
								(0.032)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 3. Regressions (continue)

Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs	71	71	71	71	71	71	71	71
Adj. R^2	0.401	0.420	0.347	0.263	0.387	0.289	0.266	0.279
The symbols ∗∗∗, ∗∗, and ∗ indicate statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions can be found in Appendix A.								

Interestingly, product development, sustainability/green growth, and digital transformation do not display statistically significant effects on ROA. Although these strategies are increasingly emphasized in modern business discourse, their immediate financial benefits may take longer to materialize - particularly in capital - intensive sectors like dairy, where R&D cycles are extended and innovation outcomes are often intangible in the short term.

From a theoretical standpoint, this finding aligns with insights from innovation - performance literature and the Dynamic Capabilities perspective, which suggest that the financial payoff of innovation is often mediated by complementary capabilities such as marketing, supply chain integration, and brand differentiation [2]. Product development enhances long - term competitiveness and market positioning but does not necessarily translate into short - term asset efficiency (ROA). Moreover, the Resource - Based View (RBV) implies that product innovation must be coupled with organizational learning and absorptive capacity before its benefits become measurable. Empirically, studies in emerging markets (e.g., [4, 5]) similarly show that the link between innovation and financial performance tends to be lagged and contingent on external conditions such as regulatory standards, consumer adoption rates, and access to distribution channels. In the Vietnamese dairy industry, the combination of strict quality regulations, evolving consumer preferences, and limited R&D infrastructure may further delay the translation of innovation into financial returns. Therefore, the non - significant relationship observed here does not imply that product development is unimportant but rather that its benefits are strategic and long - term rather than immediate and financial.

Based on the regression results presented in Table 3, several strategic recommendations can be drawn for Vietnamese dairy firms seeking to improve performance through international expansion. Firstly, firms are encouraged to prioritize international expansion into new markets and mergers and acquisitions (M&A) as key growth strategies. Both are significantly and positively associated with Return on Assets (ROA), suggesting their effectiveness in enhancing financial performance. Entering untapped markets allows firms to diversify revenue sources and reduce dependence on saturated domestic or regional markets. Similarly, M&A strategies provide opportunities to acquire established distribution networks, local knowledge, and production assets without the lengthy setup time required for greenfield investments.

In contrast, the results advise caution when emphasizing market penetration and market development. These strategies are associated with significant negative effects on ROA, implying that deepening presence in existing or culturally similar markets may not yield sufficient returns. Such outcomes may result from market saturation, high competition, or rising operational costs in familiar but low - growth environments. Firms should critically assess the cost - benefit of reinforcing their positions in current markets and consider reallocating resources to more promising ventures.

While product development, sustainability initiatives, and digital transformation did not show a statistically significant impact on short - term performance, this should not discourage their implementation. Rather, the findings suggest that the financial benefits of these strategies may require longer time horizons to materialize or that their execution may currently lack the scale or alignment needed for measurable outcomes. Firms should ensure that such initiatives are integrated into broader strategic goals, backed by sufficient investment, and adapted to the specific demands of target markets.

Vietnamese dairy firms should pursue internationalization selectively and strategically, emphasizing high - impact strategies like new market entry and acquisitions, while strengthening internal capabilities and managing external risks to ensure long - term competitiveness and profitability.

5. CONCLUSION

This study has examined how international market expansion strategies influence the financial performance of Vietnamese dairy firms over the period 2003-2024. Building on Internationalization Theory and Dynamic Capabilities Theory, the findings reveal that not all growth strategies contribute equally to firm success. While international expansion and mergers and acquisitions (M&A) are positively associated with return on assets, market penetration and market development strategies exhibit significant negative effects.

This finding is particularly noteworthy because it contrasts with much of the existing literature, which often associates expansion with performance gains. The negative relationship may reflect market saturation, intensified domestic competition, and the diminishing marginal returns of repeatedly targeting familiar markets. For Vietnamese dairy firms, continued focus on existing or culturally similar markets can overextend resources and reduce efficiency, especially when these markets are already mature. Moreover, such strategies may limit opportunities for learning and capability development that come with more challenging international ventures.

By highlighting these counterintuitive results, the study contributes a novel insight to the international business literature: incremental, low - risk expansion may not always enhance performance in emerging markets. Instead, more transformative strategies - such as entering new markets or pursuing M&A - appear to generate superior outcomes by enabling diversification, resource reconfiguration, and exposure to new learning environments.

The results also carry significant theoretical implications. Much of the existing literature on internationalization and performance has been based on evidence from developed economies, where firms operate under stronger institutional frameworks and enjoy more robust access to resources. By contrast, this study highlights how emerging market firms face distinctive challenges - such as institutional voids, resource constraints, and consumer trust gaps - that influence the effectiveness of different strategies. The findings therefore extend international business scholarship by showing that the value of expansion depends not only on market access but also on a firm's ability to absorb and adapt new resources within fragile institutional contexts. This reinforces the central role of dynamic capabilities in sustaining competitive advantage in emerging markets.

For practitioners, the findings suggest that managers should prioritize international expansion and M&A, as these strategies enable scale, diversification, and access to new consumer bases. At the same time, managers must approach these strategies with care by ensuring cultural fit, conducting thorough due diligence, and investing in strong post - merger integration processes. Overreliance on market penetration or incremental expansion, particularly in a saturated domestic market, may erode profitability. Instead, firms are encouraged to complement international strategies with investments in brand equity, innovation, and digital platforms, which can support long - term competitiveness.

The study also provides important implications for policymakers. The Vietnamese government plays a pivotal role in fostering an enabling environment for international expansion by strengthening institutional frameworks, reducing trade barriers, and negotiating favorable international agreements. Policies that promote cross - border acquisitions, safeguard intellectual property rights, and improve regulatory transparency can enhance the global competitiveness of domestic firms. In addition, greater government support for research and development, product quality certification, and sustainability programs would not only facilitate firms' entry into new markets but also help them maintain long - term growth and resilience within global value chains.

The evidence underscores the need for both scholars and practitioners to move beyond one - size - fits - all approaches to internationalization. For emerging economies like Vietnam, expansion strategies must be carefully aligned with institutional realities and supported by dynamic capabilities. Firms that recognize these nuances will be better positioned to balance growth ambitions with sustainable performance outcomes.

Appendix A

Variable	Symbol	Measurement
Control variables		
Firm Age	Age	Natural logarithm of the number of years since the firm's establishment.
Leverage	Leverage	Total Debt divided by Total Assets.

GDP Growth	GDP Growth	Annual GDP growth rate of the firm's home country (%).
Inflation Rate	Inflation Rate	Annual inflation rate of the firm's home country (%).
Exchange Rate Volatility	EXCH_VOLVNDUSD	Volatility of the VND/USD exchange rate annually.
Year Fixed Effects	YEAR_FE	Control for time - specific effects common to all firms.
Firm Fixed Effects	FIRM_FE	Control for unobserved firm - specific characteristics.

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