Referee Report on

"Does the Explanatory Power of the OLI Approach Differ among Sectors and Business Functions"
Paper submitted to Economics (E-Journal)

This paper focusses on the empirical exercise of showing how firms in the manufacturing sector and services sector differ with respect to their internationalisation strategies. The authors draw on a rich data sample of Swiss firms drawn from a questionnaire that includes many variables that can be captured by the OLI paradigm. Moreover, the analysis incorporates whether the foreign activity is distribution and/or production based or in addition R&D based. The analysis is based on a multinomial logit model and uncovers differences across the two main sectors as well business functions abroad. In general the paper is interesting and I have a number of comments, mainly on the clarity of the arguments, that may improve the paper:

1) The introduction needs to be streamlined with respect to the numerous mentions that studies are fewer for the service sector than for the manufacturing sector. Also, to make the introduction easier to flow, I would move paragraph 4 after paragraph 1, which can be followed by current paragraph 3. Paragraph 2 can be merged with 1. More substantially, I suggest elaborating on the different ways that the present study differs from the existing ones (e.g. Py and Hatem). For example, the fact that this may be the first one for Switzerland is worth mentioning in addition to other contributions. Moreover, I find that the collected dataset is very rich. Particularly, variables that are capturing the L advantages are at the firm-level as opposed to many other studies that rely on country level indicators in different contexts. Therefore, I suggest discussing the various contributions from data, approach to framework in a systematic way.

2) The main argument of the paper is that drivers of internationalisation (based on OLI) have a lower impact on service firms than for manufacturing. Moreover, the argument is also made for the business functions that characterise the foreign operations. Given this, the lead up to the hypothesis (especially for H2, H3 and H4) is very short and the reader is left wondering why this should be the case. Thus, drawing on existing theoretical and empirical studies is necessary to elaborating the rationale for the hypothesis.

3) The hypothesis section should be streamlined. It is important to get the main message of the paper across and currently this is made difficult by having more hypothesis than necessary, some of which are convoluted. I suggest, dropping hypothesis 1 altogether as well as 2a, 3a and 4a.
I suggest the first hypothesis as "the effect of variables captured by the OLI paradigm on internationalisation is lower for services firm than for manufacturing firms".
The second hypothesis can be "the effect of variables captured by the OLI paradigm on internationalisation are higher in the case of business functions that include R&D compared to ones that do not" (i.e. in this way hypothesis 3b and 4b are merged to a single hypothesis 2)
The third and final hypothesis can then focus on the business functions and their differences between the sectors "the effect of variables captured by the OLI paradigm on internationalisation in different business functions is lower services firm than for manufacturing firms".

4) The authors mention that certain factors may be more important for high-tech firms. I wonder whether one can tease out these in the empirics, by inter-acting a high-tech dummy with the various determinants.

5) The correlation matrix does not show high correlations which may lead to multicollinearity problems, there a few in the 0.4 region. Although the various indicators, especially for the L, I wonder whether estimating in a few separate groups makes certain variables significant.

6) In measuring firm size, I suggest using the log of number of employees, which then can be interpreted as an elasticity and is common in the literature.

Minor comments

1) As title of paper is a question, it needs a question mark at the end.

2) Introduction, paragraph 2: drop "econometric"

3) change "and does not much vary among industries" to "and does vary significantly among industries"

4) Is the following sentence necessary. Either drop or elaborate. "The most remarkable result is the outstanding prevalence of companies directly engaged abroad in high-tech manufacturing"

5) there are several instances where you should use the word "which" instead of "what"

6) avoid the use of "etc."

7) Please rewrite the start of the results section, as the following does not read well. "To start with, we indicate how to read the results presented in Table 4 (columns 1 and 2).
Remember that we evaluate the coefficients of the variables explaining DOMESTIC and FDI against those of the firms that are internationally active solely through domestic and export sales (EXPORT)"

8) Please provide references for the following sentence "Finally, several scholars refer to the importance of idiosyncratic and highly situation-specific determinants of the internationalisation of service provision"