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EXECUTIVE MBA

MODELING THE DETERMINANTS OF ETHIOPIAN STATE OWNED ENTERPRISES' INTERNATIONAL BUSINESS EXPANSION IN EMERGING MARKETS: THE ROLES OF LEGAL FRAMEWORK, POLITICAL STABILITY, AND MARKET KNOWLEDGE.

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STATEMENT OF DECLARATION

I hereby declare that this thesis entitled "Modeling the Determinants of Ethiopian State-Owned Enterprises' International Business Expansion in Emerging Markets: The Roles of Legal Framework, Political Stability, and Market Knowledge" is my original work, prepared under the constructive guidance and supervision of my research advisor, Dr. Amare Abawa.

This study is submitted in partial fulfillment of the requirements for the Executive Master of Business Administration (EMBA) degree at Addis Ababa University, College of Business and Economics, Department of Management.

I further declare that this thesis has not been presented for any degree, diploma, or academic award in this or any other tertiary institution, and that all sources of materials, literature, and secondary data used in this work have been fully cited and duly acknowledged.

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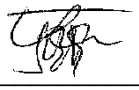
Signature: 

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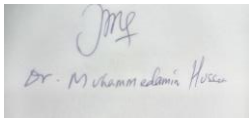
Signature: 

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ABSTRACT

The internationalization of State-Owned Enterprises (SoEs) from emerging economies represents a rapidly growing but under-researched phenomenon in global business, particularly within sub-Saharan Africa. While existing literature heavily focuses on private multinational enterprises or state enterprises from major emerging markets, limited empirical evidence explains how institutional environments and organizational capabilities jointly determine the cross-border expansion of Ethiopian federal SoEs. This study addresses this gap by examining the direct and interactive effects of the Home-Country Legal Framework, Host-Country Legal Framework, Host-Country Political Stability, and Corporate Market Knowledge on the international business expansion of Ethiopian federal State-Owned Enterprises operating in emerging markets.

Based upon Institutional Theory, the Uppsala Model, and Transaction Cost Economics, an integrated analytical framework was developed. A quantitative, explanatory cross-sectional research design was employed, with primary data gathered via structured questionnaires administered to 95 senior executives, strategy directors, and legal compliance officers across major Ethiopian federal SoEs operating under Ethiopian Investment Holdings (EIH). The empirical model was tested using Partial Least Squares Structural Equation Modeling (PLS-SEM).

The findings indicate that both external institutional conditions and internal firm-specific capabilities play critical roles in driving outward expansion performance. Among the examined determinants, corporate market knowledge emerged as the primary driver of foreign market success, highlighting the fundamental importance of experiential learning, localized understanding, and strategic intelligence. Supportive home and host-country legal frameworks, alongside a stable political environment in target markets, provide essential institutional enabling conditions.

This study contributes to international business literature by offering empirical investigations into the international expansion determinants of Ethiopian federal State-Owned Enterprises. By bridging institutional and capability-based perspectives, the research extends existing knowledge on state-capitalist internationalization in developing economies. Practically, the findings offer actionable insights for public policymakers, Ethiopian Investment Holdings, and enterprise executives seeking to strengthen the global competitiveness and long-term sustainability of Ethiopian state enterprises.

Keywords: *State-Owned Enterprises; International Business Expansion; Home-Country Legal Framework; Host-Country Legal Framework; Political Stability; Market Knowledge; PLS-SEM; Ethiopia.*

LIST OF ACRONYMS AND ABBREVIATIONS

- **AAU** ---------- Addis Ababa University
- **AVE**----------Average Variance Extracted
- **CR** ---------- Composite Reliability
- **EEP** ----------Ethiopian Electric Power
- **EIH** ----------Ethiopian Investment Holdings
- **ERC** ----------Ethiopian Railways Corporation
- **ESLSE**----------Ethiopian Shipping and Logistics Services Enterprise
- **HLF** ---------- Home-Country Legal Framework
- **HoLF** ---------- Host-Country Legal Framework
- **HTMT** ---------- Heterotrait-Monotrait Ratio
- **IBE** ----------International Business Expansion
- **MK** ---------- --Market Knowledge
- **MNE** ---------- Multinational Enterprise
- **PLS-SEM** ---------- Partial Least Squares Structural Equation Modeling
- **PS** ---------- Political Stability
- **SoE** ----------State-Owned Enterprise
- **TCE** ----------Transaction Cost Economics
- **VIF** ---------- Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globalization has fundamentally restructured contemporary international business, escalating cross-border investment flows, deepening technological integration, and forging an intense competitive interdependence among national economies (Peng, Wang, & Jiang, 2008). In this hyper-connected global marketplace, corporations face relentless structural pressure to venture beyond domestic borders. Internationalization is no longer merely an ambitious growth strategy; it is a defensive and strategic necessity to maintain competitiveness, secure volatile resources, and capture untapped demand. This outward push is increasingly evident across emerging economies, where domestic firms actively penetrate foreign territories despite navigating severe institutional voids and localized resource constraints at home (Luo & Tung, 2007).

Crucially, the vanguard of this cross-border expansion in developing nations is frequently composed of State-Owned Enterprises (SoEs). In these contexts, central governments continue to leverage public corporations as the primary engines of industrial transformation and macroeconomic stabilization (Musacchio, Lazzarini, & Aguilera, 2015).

However, the internationalization trajectory of an SoE diverges sharply from the classic paths taken by privately owned multinational enterprises (MNEs). Private firms operate under a relatively straightforward mandate of shareholder wealth and profit maximization. SoEs, by contrast, navigate a complex, often conflicting duality: they must reconcile commercial viability with broader state development mandates and national security priorities (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014). Sovereigns routinely deploy SoEs to secure critical foreign exchange reserves, spearhead regional industrialization, facilitate technology transfers, and anchor geopolitical leverage within regional economic blocs. Because public firms are directly connected to state machinery, their outward expansion cannot be understood purely through a commercial lens; it is deeply shaped by institutional, political, and regulatory negotiations.

Current international business scholarship acknowledges that the outward behavior of emerging-market firms depends heavily on home-country institutional backstopping, state-backed financing mechanisms, and distinct firm-level capabilities (Child & Rodrigues, 2005; Luo & Tung, 2007). In Ethiopia, this dynamic is exceptionally pronounced. State-Owned Enterprises command the strategic high grounds of the national economy, maintaining dominant positions across logistics, telecommunications, banking, energy, manufacturing, and heavy infrastructure.

As the Ethiopian government executes macro-level market reforms and structural adjustments, the operational expectations placed on these SoEs are shifting. They are now explicitly tasked with optimizing operational efficiencies, aggressively generating hard foreign currency, and cultivating international competitiveness. This aligns with Ethiopia's broader macroeconomic agenda, which prioritizes regional integration and aggressive participation in global trade networks as pillars of long-term economic transformation.

Yet, stepping into neighboring emerging markets is filled with operational hazards. Emerging markets are notorious for institutional gaps characterized by fragile regulatory enforcement, volatile political transitions, unpredictable legal shifts, and an absence of transparent market-supporting institutions (Khanna & Palepu, 2010). For any expanding firm, these deficiencies directly translate into inflated transaction costs, severe operational exposure, and strategic drift.

To know how firms navigate these pressures, international business literature frequently isolates three pivotal determinants: legal frameworks, political stability, and market knowledge. Institutional scholars have long established that the rule of law and regulatory predictability dictate corporate behavior by governing contract enforcement, asset protection, and property rights (North, 1990; Scott, 2014). Similarly, political stability is a foundational prerequisite for foreign investment; political volatility paralyzes corporate planning, deters capital commitments, and elevates downside risks (Busse & Hefeker, 2007; Jensen, 2008). From a capability perspective, the classic Uppsala model argues that localized market knowledge and experiential learning are the ultimate tools for mitigating foreign operational risks (Johanson & Vahlne, 2009). Corporations having deep insights of consumer behavior, competitor movements, and local bureaucratic complex naturally achieve superior performance abroad.

Despite these rich theoretical conversations, a major empirical imbalance persists. The vast majority of internationalization literature remains preoccupied with private MNEs hailing from advanced Western economies or highly industrialized Asian markets. State-owned entities, especially those emerging from low-income, institutionally volatile sub-Saharan African economies, remain peripheral in global research. Empirical insights into African corporate expansion are not only scarce but are also heavily biased toward private sector exporters (Amighini, Rabellotti, & Sanfilippo, 2013).

In Ethiopia, systematic research into the outward strategies of SoEs is rare, creating a gap given the government's explicit policy shift toward regional market integration. Furthermore, existing studies rarely evaluate home-country regulatory pressures, host-country risks, and firm-level capabilities inside a single, integrated structural model. This creates a clear theoretical and empirical gap that this study intends to bridge.

Accordingly, this research constructs a predictive quantitative framework to investigate the factors driving the cross-border expansion of Ethiopian SoEs into emerging markets. By synthesizing institutional and capability-led perspectives, this study clarifies the complex interplay between home- and host-country legal protections, political stability, and organizational market knowledge, offering practical strategic pathways for both state policymakers and corporate executives.

1.2 Statement of the Problem

Over the past two decades, academic interest in how emerging-market firms internationalize has surged. Scholars have explored a wide range of factors, demonstrating how institutional frameworks, host-country politics, internal corporate capabilities, and experiential learning interact to shape foreign market entry (Johanson & Vahlne, 2009; Luo & Tung, 2007; Peng et al., 2008). A key finding in this literature is that institutional backing, regulatory clarity, and localized market knowledge directly dictate a firm's cross-border survivability (Child & Rodrigues, 2005). Extensive research across prominent emerging economies such as China, India, Brazil, and Malaysia confirms that state-backed enterprises rely heavily on state

diplomatic alignment, institutional protections, and deep relational knowledge when expanding across borders (Cuervo-Cazurra et al., 2014; Musacchio et al., 2015).

However, current empirical models cannot be universally applied to the realities of Ethiopian SoEs. The existing literature has a gap since it focuses almost exclusively on massive state enterprises in newly industrialized nations. We know very little about how SoEs from low-income, developing, and transitioning African economies like Ethiopian SoEs manage outward expansion.

Methodologically, previous research tends to look at these variables in isolation. Studies often focus on political risk, institutional distance, or internal capabilities as isolated phenomena, failing to integrate them into a unified structural model.

These gaps particularly need attention within the African context, where internationalization research is heavily concentrated on private, export-oriented firms. Despite the fact that large Ethiopian SoEs in telecommunications, logistics, aviation, and energy are increasingly positioning themselves as regional corporate, empirical research documenting their strategies is not well researched. This lack of localized data forces Ethiopian policymakers and corporate executives to manage regional expansions using generic theoretical models built for entirely different economic and institutional realities.

The institutional landscape governing an Ethiopian SoE is highly specific. These enterprises are navigating a broad domestic economic reform era, evolving regulatory mandates, and severe capital constraints, all while competing in regional markets with highly volatile political and legal conditions. Applying Western or East Asian frameworks to this dynamic is strategically risky.

Furthermore, although international business theory emphasizes legal compliance, host-country stability, and market knowledge as key determinants of performance, their combined, simultaneous effect on Ethiopian public enterprises has yet to be empirically quantified. Researchers and corporate leaders in Ethiopia has mainly focused on internal public management, privatization, export performance, or macroeconomic trade balances, leaving the strategic mechanics of outward corporate expansion with limited studies.

This creates a two-fold deficit in our understanding:

1. Empirically, we lack verified data on the precise drivers and institutional pressures shaping Ethiopian SoEs as they enter foreign jurisdictions.
2. Methodologically, there is a distinct absence of predictive, multivariate statistical modeling capable of assessing the direct and indirect effects of institutional legal frameworks, host-country political stability, and firm-level market knowledge simultaneously.

As Ethiopia flags its commitment to regional economic frameworks and outward-looking growth, resolving this structural gap is crucial. Understanding these determinants is vital if we are to improve the international competitiveness, operational sustainability, and survival rates of Ethiopian state enterprises. This study directly resolves these empirical and methodological deficits by building and testing an integrated structural model designed to clarify exactly how home and host legal frameworks, political stability, and internal market knowledge dictate the expansion performance of Ethiopian SoEs.

1.3 Objectives of the Study

1.3.1 General Objective

The primary objective of this study is to analyze and model the structural determinants influencing the international business expansion of Ethiopian State-Owned Enterprises (SoEs) into emerging markets, evaluating the direct and the indirect effects of home-country legal frameworks, host-country legal frameworks, host political stability, and corporate market knowledge.

1.3.2 Specific Objectives

To achieve this general objective, the study addresses the following specific empirical aims:

1. To quantify the direct effect of Ethiopia’s home-country legal framework on the cross-border expansion performance of Ethiopian SoEs.

2. To assess how host-country legal frameworks influence the international business expansion of Ethiopian SoEs within emerging target markets.
3. To evaluate the precise impact of host-country political stability on the sustainability and performance of outward-expanding Ethiopian SoEs.
4. To analyze the role of internal corporate market knowledge in driving the foreign expansion of Ethiopian SoEs.

1.4 Research Questions

1.4.1 General Research Question

What are the underlying institutional, political, and capability-related factors that determine the international business expansion of Ethiopian State-Owned Enterprises (SoEs) into emerging markets?

1.4.2 Specific Research Questions

1. How, and to what extent, does Ethiopia's domestic legal framework influence the international business expansion of its SoEs?
2. What role do the legal and regulatory frameworks of host countries play in shaping the international business expansion of Ethiopian SoEs?
3. How does host-country political stability directly and indirectly impact the cross-border expansion of Ethiopian public enterprises?
4. How does the accumulation and utilization of market knowledge influence the outward internationalization performance of Ethiopian SoEs?

1.5 Research Hypotheses

To systematically evaluate these research questions, the following core hypotheses have been formulated based on established institutional and international business literature:

1.5.1 Hypotheses on Legal Frameworks and Institutional Interaction

A. **H1:** Ethiopia's home-country legal framework exerts a positive and statistically significant direct effect on the international business expansion of Ethiopian SoEs.

B. **H2:** Host-country legal frameworks exert a positive and statistically significant direct effect on the international business expansion of Ethiopian SoEs within emerging markets.

1.5.2 Hypothesis on Host Political Stability

C. **H3:** Political stability within host countries has a positive and statistically significant direct effect on the international business expansion of Ethiopian SoEs.

1.5.3 Hypothesis on Corporate Market Knowledge

H4: Internal corporate market knowledge has a positive and statistically significant direct effect on the international business expansion of Ethiopian SoEs.

1.6 Significance of the Study

This research offers timely contributions across three distinct areas: public policy formulation, corporate managerial practice, and international business theory.

1. **From a Policy Perspective:**

This study generates reliable empirical evidence detailing how regulatory institutions and political environments dictate public sector corporate performance across borders. For Ethiopian state planners, these insights are crucial. As the government continues to reshape public enterprise governance, these findings clarify how domestic legal mandates can either impair or accelerate an enterprise's ability to compete in regional trade corridors. It provides a data-driven roadmap for reforming legal and institutional instruments to shield and support strategically vital public enterprises as they enter highly competitive regional markets.

2. **From a Managerial Perspective:**

For executives steering large state-backed entities like Ethio Telecom, Ethiopian Airlines, or the Ethiopian Shipping and Logistics Services Enterprise, this study offers actionable intelligence. Expanding into highly volatile emerging markets requires complex thinking regarding entry modes, asset commitments, and risk management. By isolating the exact performance impacts of host-country political stability and regulatory transparency, this model provides executives with

a clearer framework for calculating risk, timing expansions, and deploying corporate assets effectively. Furthermore, it underlines how systematic market intelligence can be utilized to reduce operational uncertainty in unfamiliar jurisdictions.

3. **From an Academic Perspective:**

This study directly addresses the geographic and institutional biases in current international business literature. By centering the analysis on Ethiopian SoEs, it expands the global conversation on state-backed multi-nationals into the under-researched East African region. Methodologically, it moves away from descriptive or single variable analysis by using Partial Least Squares Structural Equation Modeling (PLS-SEM). This offers a highly rigorous, prediction-oriented statistical approach capable of capturing complex, simultaneous causal pathways, providing a firm methodological benchmark for future researchers studying Ethiopia public sector internationalization.

1.7 Scope of the Study

This study isolates the institutional, political, and capability drivers of international business expansion within the unique context of Ethiopian State-Owned Enterprises. Structurally, the independent constructs are strictly limited to the home-country legal framework, host-country legal frameworks, host political stability, and corporate market knowledge. While variables like financial liquidity, technological infrastructure, and individual leadership styles undoubtedly influence corporate expansion, they are excluded from this structural model to protect statistical clarity and maintain a sharp focus on institutional dynamics.

Geographically and organizationally, the sample is restricted to major Ethiopian SoEs that possess an active, documented mandate or operational presence in foreign markets. The destination context is defined broadly as selected emerging and regional markets rather than a single country, allowing the findings to be generalized across comparable developing economies.

The timeframe of this study spans from 2018 to 2025. This timeframe corresponds to Ethiopia's contemporary economic reform era, which fundamentally altered the operational boundaries of the public sector. The year 2018 serves as a logical starting point, marking the historical

implementation of comprehensive structural reforms that redefined corporate governance, demanded stricter operational efficiencies, and opened outward-looking economic paths for public entities. The timeline extends through 2025 to capture the most recent, observable strategic outcomes of these public expansions under volatile regional conditions.

1.8 Definition of Key Terms

A. **State-Owned Enterprises (SoEs):** Legally autonomous corporate entities entirely or predominantly owned and controlled by the sovereign state, tasked with executing dual commercial and developmental objectives. In this study, they refer specifically to federal public enterprises under the Government of Ethiopia (Public enterprises operating under Ethiopian Investment Holdings) operating across domestic and foreign jurisdictions.

B. **International Business Expansion:** The structured strategic process through which a firm projects its operations across national borders, establishing a market footprint via exports, cross-border infrastructure linkages, regional partnerships, or direct foreign subsidiaries.

C. **Legal Framework:** The interconnected matrix of formal statutes, regulatory laws, contract-enforcement mechanisms, and investment protection policies that govern corporate behavior. Accordingly, Home-Country Legal Framework is defined as the domestic Ethiopian regulatory environment that dictates the legal capacity, financial freedom, and state approvals required for SoE to deploy capital abroad. Whereas, Host-Country Legal Framework is the regulatory, property rights, and contract-enforcement systems of the destination country, which collectively dictate operational risk and asset security for foreign entrants.

D. **Political Stability:** The predictability, institutional continuity, and structural resilience of a host nation’s governance ecosystem, defined primarily by the absence of civil conflict, systemic political violence, or arbitrary, sudden policy reversals.

E. **Market Knowledge:** The accumulation of explicit and experiential intelligence regarding a foreign market's specific consumer patterns, competitor structures, cultural dynamics, and localized bureaucratic processes.

F. **PLS-SEM (Partial Least Squares Structural Equation Modeling):** A powerful variance-based multivariate statistical technique designed to estimate complex causal networks of latent variables, maximizing predictive power in structural model testing.

Chapter Two: Literature Review

2.1 Introduction

The international growth of State-Owned Enterprises (SoEs) from emerging economies has really shaken up the traditional, Anglo-Saxon-focused views on international business theory. For many years, the foundational models of cross-border corporate behavior were based on the real-world experiences of privately owned Multinational Enterprises (MNEs) from advanced Western economies (Child, J., & Rodrigues, S. B. 2005). These classic private companies typically operate with a straightforward goal which is maximizing shareholder wealth through market efficiency, optimal asset utilization, and profit generation. As a result, traditional internationalization frameworks have often assumed that any expanding firm acts as an independent economic player, separate from direct state influence and driven solely by market forces (Cuervo-Cazurra et al., 2014; Dunning, 2001).

In clear contrast, SoEs represent a unique and complex operational duality. They are hybrid institutions that must achieve commercial success on the global stage while also meeting significant domestic development goals, industrial policy aims, and national geopolitical priorities (Bruton et al., 2015). Since these public corporations are closely linked with the state, their decisions regarding foreign investments, entry strategies, and risk appetites are deeply connected to political negotiations, domestic legal frameworks, and state-supported financing options. Thus, studying state-backed multinationals requires us to move beyond simplistic economic models and embrace a more integrated, multi-theoretical approach that recognizes the state's influential role in cross-border trade.

Even with the global rise of state-directed capitalism most notably led by large Chinese and sovereign East Asian enterprises there remains a significant gap in empirical and geographic representation within mainstream international business literature (Cuervo-Cazurra, 2018). Most contemporary research continues to focus heavily on newly industrialized countries, leaving a lot of important insights unexplored.

This gap understanding is essentially important, especially in the context of East Africa and more specifically, Ethiopia. In Ethiopia, State-Owned Enterprises (SoEs) have long held a significant position and continue to play a crucial role in the national economy. Whether it is Ethiopian Airlines leading the way in regional connectivity, Ethio Telecom establishing cross-border digital links, the Ethiopian Shipping and Logistics Services Enterprise (ESLSE) managing maritime trade routes, or Ethiopian Electric Power (EEP) exporting energy across borders, these organizations are the driving forces behind structural change and economic stability.

As the Ethiopian government introduced its latest economic reforms and structural adjustments, guided by sovereign wealth management bodies like Ethiopian Investment Holdings (EIH), the role of these public enterprises is evolving. They're no longer just focused on domestic markets; instead, they're being pushed to enhance cross-border efficiencies, build long-term resilience, and generate foreign currency reserves to strength the national balance of payments, while striving to remain competitive in a rapidly changing regional landscape.

However, when an Ethiopian SoE ventures into neighboring markets, it faces a challenging environment filled with significant institutional gaps. These regions often struggle with weak regulatory frameworks, unpredictable legal changes, and political instability that can threaten valuable corporate investments at any moment. To explore how these state-backed firms manage to navigate these challenges without failing to the pitfalls of operating abroad, this chapter lays out a detailed, three-part theoretical framework consisting of Institutional Theory, the Uppsala Internationalization Model, and Transaction Cost Economics. First, Institutional Theory (North, 1990; Scott, 2014) helps us understand how both formal and informal regulatory environments in the home and host countries lay down the foundational rules for cross-border operations, influencing asset security and corporate legitimacy. Second, the Uppsala Internationalization Model (Johanson & Vahlne, 1977, 2009) sheds light on how a company gathers,

institutionalizes, and utilizes localized market knowledge to reduce cognitive risks and navigate the complexities of foreign bureaucracies. Finally, Transaction Cost Economics (Williamson, 1985) provides the essential microeconomic rationale behind cross-border governance decisions, showing how predictable legal structures and political stability can help lower transaction costs and limit partner opportunism.

By weaving these three theories into a comprehensive framework, this literature review goes beyond the usual focus on private firms. It recognizes the distinct institutional support and diplomatic benefits that influence the operations of Ethiopian State-Owned Enterprises (SoEs). Ultimately, this approach creates a solid academic foundation that connects traditional international business theories with the real-world experiences of companies expanding in sub-Saharan Africa.

2.2 Institutional Theory and African Realities

Institutional theory suggests that organizations are more than just economic entities chasing technical efficiency; they are interconnected into larger social, political, and legal frameworks that determine their survival and legitimacy (North, 1990; Scott, 2014). Scott (2014) describes these frameworks through three analytical pillars: the regulative, the normative, and the cultural-cognitive. For State-Owned Enterprises (SoEs) from emerging economies like Ethiopia, the regulative pillar which includes formal laws, government policies, judicial systems, and enforcement mechanisms exerts the most direct and compelling influence on strategic decisions.

North (1990) offers a foundational view of institutions, describing them as the rules that govern society, or more formally, the human-created constraints that influence how we interact. When we look at international business expansion through the lens of institutional theory, the focus shifts from what a company has internally to the external environment it operates in. This theory suggests that a firm's success in crossing borders depends on its ability to meet the institutional expectations of both its home country and the country it’s entering.

As companies venture beyond their national borders, they often face a significant hurdle known as institutional distance. This term refers to the extent of difference between the regulatory, normative, and cognitive frameworks of the home and host countries (Kostova & Zaheer, 1999).

For instance, Ethiopian state-owned enterprises (SoEs) encounter substantial institutional distance when they try to expand into nearby East African markets like Djbouti or Kenya. In these new markets, the rules around contract enforcement, corporate governance, and property rights can be vastly different from the centralized, state-driven regulatory system in Ethiopia.

Kostova and Zaheer (1999) point out that a greater institutional distance can increase the liability of foreignness, making it tougher for a company to gain legitimacy in a new market. In these distant environments, foreign firms often find it challenging to navigate the unspoken bureaucratic norms, which can significantly raise operational risks and create friction in transactions.

Navigating the institutional differences across the African continent comes with its fair share of challenges, and these are well-documented through the experiences of key regional state entities. For instance, South Africa's state-owned power utility, Eskom, has faced significant hurdles during its attempts to expand regionally, largely due to the unpredictable nature of regulations and tariff changes in the countries it was entering (Eberhard et al., 2016). These fluctuations often jeopardized the financial stability of its long-term investments. Similarly, Nigeria's Nigerian National Petroleum Corporation (NNPC) encountered difficulties with international partnerships and cross-border operations, primarily because of widespread corruption, weak enforcement of laws, and arbitrary changes in legal frameworks in neighboring countries (Thurber et al., 2011).

In West Africa, Ghana's Volta River Authority faced similar challenges, where the lack of consistent legal standards and reliable contract enforcement among the countries involved complicated agreements for regional electricity distribution. These examples highlight a crucial point. When state capitalism ventures beyond its borders, the lack of strong and predictable institutions in host countries can often derail capital-intensive projects.

Focusing on Ethiopia, the Ethiopian Railways Corporation (ERC) provides a clear illustration of how these institutional barriers play out and how they can be strategically navigated. The railway infrastructure linking Ethiopia to the Port of Djibouti shows that the legal frameworks in host countries can sometimes serve as significant obstacles rather than helpful tools. To tackle these

challenges, the ERC heavily relies on formal bilateral agreements and government-to-government (G2G) arrangements. These sovereign treaties help to sidestep local institutional weaknesses by creating high-level, legally binding assurances that safeguard state-backed assets.

In general, institutional theory sheds light on a critical dynamic for Ethiopian state-owned enterprises: while the home-country context is vital, operational effectiveness in foreign territories ultimately depends on the strength and reliability of local institutions. Although the legal framework in an enterprise's home country provides a solid foundation for domestic legitimacy and financial backing, the regulatory landscape in host countries frequently creates severe operational challenges. Consequently, navigating these foreign institutional barriers may necessitate active diplomatic intervention to be resolved effectively.

2.3 Uppsala Internationalization Model and Experiential Learning

The Uppsala internationalization model views a company's expansion into foreign markets as a gradual and evolutionary journey, fueled by ongoing experiential learning and careful risk management (Johanson & Vahlne, 2009). This approach, grounded in the behavioral theory of the firm, suggests that businesses face limitations due to bounded rationality and a lack of market knowledge, which together create a disadvantage when entering new markets. To reduce these cognitive and operational risks, companies typically shy away from making large, rapid investments in unfamiliar territories. Instead, they build their knowledge through consistent domestic and localized operations, gradually translating this experience into incremental investments abroad.

Johanson and Vahlne (2009) refined this model to reflect that today’s internationalization is less about overcoming specific cultural barriers and more about navigating complex business networks. In this updated perspective, a company's survival depends on becoming an insider within these networks, which is achieved through interactive, relationship-focused learning experiences over time.

Within this framework, experiential market knowledge is the key driver of international growth, a trend that can be clearly seen in the historical development of Ethiopia’s national airline, Ethiopian Airlines. True to the incremental principles of the Uppsala model, the airline didn’t

rush into launching complex, long-haul routes to far-off Western or Asian markets. Instead, it carefully built its early operational skills by forming close regional ties with neighboring African countries. By viewing the African continent as a practical learning ground, the company gradually gained valuable insights into cross-border aviation rules, regional consumer habits, and specific logistical challenges unique to the continent (Johanson, J., & Vahlne, J. E. 2009). This growing pool of knowledge laid a strong operational groundwork, which the airline later used to minimize risks as it ventured into competitive and culturally diverse global markets in Europe, Asia, and America.

A key part of this gradual development is the idea of psychic distance, which refers to the various factors like language, culture, political systems, and business practices that can hinder or complicate the flow of information between a company and its target market (Johanson & Vahlne, 1977). In the larger picture of Ethiopian state capitalism, businesses often show a clear strategic preference for countries that are closer in both psychic and geographic terms, such as Djibouti, Uganda and Kenya, before they consider investing public capital in more distant markets. By entering these nearby markets, corporate leaders can work within relatively familiar institutional frameworks, which helps to lower the chances of making serious operational mistakes. This consistent preference for nearby markets highlights the notion that market knowledge is a vital strategic asset, enabling companies to effectively navigate and mitigate the challenges of operating in foreign environments.

However, trying to apply a model meant for Western private companies to emerging-market public firms shows some clear conceptual challenges. Unlike private multinationals that rely on market-driven knowledge to guide their foreign investments, Ethiopian state enterprises often skip or jump over the gradual steps outlined by the Uppsala model due to urgent state mandates.

This structural shift is clearly illustrated by Ethiopian Electric Power enterprise push for outward expansion. The power company didn’t just sit back and wait for a slow, organic buildup of experience in foreign markets before diving into regional power provider entity. Instead, it jumped into cross-border commitments, spurred on by high-level political directives, state treaties, and national mandates for generating foreign currency. When expansion is driven by political motives rather than a deep understanding of the market, it really shakes up the

traditional ideas of international business theory. Still, while government mandates can push companies into foreign markets quickly, research shows that the long-term success and sustainability of these ventures heavily rely on how quickly they can internalize and adapt to local market knowledge.

2.4 Transaction Cost Economics (TCE) and Risk Management

Transaction Cost Economics (TCE) offers a detailed microeconomic lens for understanding how companies set up their governance structures to reduce transactional frictions, operational uncertainties, and behavioral risks in foreign markets (Williamson, 1985). As Williamson (1985) points out, economic transactions are hardly ever smooth; they come with significant costs tied to gathering information, drafting contracts, monitoring performance, and resolving disputes. TCE suggests that these transactional frictions stem from two key behavioral assumptions: bounded rationality, which limits a manager's ability to predict every possible future scenario, and opportunism, which highlights the tendency of economic actors to prioritize their own interests over others. When a company invests in unfamiliar territories, these behavioral challenges become even more pronounced due to the specific nature of the physical assets involved and the uncertainties of the surrounding environment.

When we look at international business strategy through the lens of Transaction Cost Economics (TCE), it really boils down to managing risks. The main goal here is to make sure that the governance structures of an organization are in line with the transactional risks present in the host economy. This alignment is crucial to avoid exploitation and the loss of wealth. Take State-Owned Enterprises, for example. They often face very high transaction costs when they venture into countries with weak institutions and shaky legal systems, like South Sudan. In these unpredictable environments, the basic costs of finding trustworthy local partners, reaching to legally binding agreements, and keeping an eye on compliance can increase extremely.

Without a reliable legal framework to ensure that contracts are upheld, foreign investors can’t count on local courts to sort out any operational breaches of trust. This lack of institutional support leaves companies vulnerable, pushing them to spend a lot on private security, ongoing legal oversight, and unnecessary administrative checks. For businesses that manage public funds,

these upfront and ongoing transaction costs can feel like a heavy financial burden, putting the success of cross-border projects at risk and making long-term financial planning a real challenge.

To safeguard valuable assets from the vulnerabilities posed by host countries, companies looking to expand often adjust their entry strategies. They tend to deliberately avoid high-risk, fully owned subsidiaries and instead opt for safer governance structures like joint ventures and strategic alliances. Hennart (2010) points out that when businesses venture into foreign markets accompanied with environmental uncertainty and a significant chance of partner opportunism, they tend to embrace shared-control frameworks. This helps them spread out the risk and tie the local partner's economic interests to the success of the venture. By entering a market through a well-structured joint venture, the expanding company can minimize its risk of asset theft and regulatory bias. The local partner, who has a better grasp of the local landscape, takes on the task of navigating bureaucratic hurdles and unpredictable policy changes. In this context, these defensive governance strategies do more than just facilitate market entry; they act as tools for mitigating institutional risks, aligning incentives, and reducing transaction costs when formal legal protections are lacking.

A clear example of these defensive strategies in action can be seen in the strategic partnerships formed by Ethiopian Airlines during its expansion across various African regions. When entering unstable host markets, the backed transport provider typically avoids making fully independent, capital-heavy investments in physical infrastructure, such as airports and dedicated ground facilities. Aware that these fixed assets are highly susceptible to sudden political shifts and weak host-country contract enforcement, the airline relies heavily on strategic alliances, shared network agreements, and co-investment models with local operators and government entities. This collaborative strategy enables the enterprise to significantly lower its initial capital risk while protecting its cross-border operations from any potential opportunistic actions by local actors.

Therefore, Transaction Cost Economics sheds light on how weak laws in host countries and regional political instability can drive up operational costs. It shows that when the costs of market interactions go beyond sustainable limits, state-backed entities need to adopt defensive, shared-governance structures to protect public capital.

2.5 Comparative Studies of State-Owned Enterprises in Emerging Markets

When we take a closer look at the internationalization journeys of Ethiopian State-Owned Enterprises (SoEs) compared to their peers in major emerging markets, we uncover some striking differences in structure, operations, and strategies. The global business literature tells us that the way state-backed multinationals behave across borders is largely influenced by the unique state-capitalist model of their home countries, the strength of their national financial reserves, and the domestic rules that govern how capital can be moved abroad. While the big sovereign players from the BRICS nations Brazil, Russia, India, China, and South Africa often pursue expansion plans with substantial financial backing and well-developed institutional frameworks, public companies from low-income, transitioning economies in sub-Saharan Africa face significant structural hurdles. By examining these international disparities, we see that although the fundamental challenges of expanding into foreign markets are quite similar, the strategies employed to gain corporate legitimacy and manage risks in those markets differ greatly, depending on the quality of institutions back home.

The Chinese approach to state capitalism stands out as the most thoroughly studied model of outward state-supported investment in recent academic work. Chinese SoEs enjoy a strong institutional foundation, supported by direct financial support from state-owned policy banks, allocations from sovereign wealth funds, and strategic diplomatic efforts through initiatives like the Belt and Road Initiative (Cuervo-Cazurra et al., 2014). The strong support from their home country enables Chinese companies to effectively overcome the challenges of being foreign players in the market. This backing allows them to take on high-stakes ventures, like major greenfield projects and cross-border mergers and acquisitions, even in countries with unstable institutions. Additionally, Musacchio et al. (2015) point out that the Chinese government often leverages diplomatic relationships to ensure that host countries align their laws favorably and provide legal protections for Chinese businesses. This kind of institutional support helps lower transaction costs and safeguard physical assets, giving Chinese public firms the ability to endure extended periods of operational losses abroad while they focus on long-term goals like securing vital resources and enhancing their geopolitical presence.

When we look at the internationalization of Indian State-Owned Enterprises, it tells a different story. Instead of relying heavily on large state financial support, these enterprises focus more on building specific market knowledge, developing local relationships, and tapping into historical diaspora networks. Indian public sector companies in key areas like energy, telecommunications, and heavy engineering often face tough bureaucratic hurdles and restrictions on capital at home. To thrive in foreign markets, they need to be super-efficient and agile in their strategies.

Ramamurti and Singh (2009) point out that these state-backed firms make the most of their cultural, linguistic, and economic connections with Indian communities in places like East Africa, the Middle East, and Southeast Asia. This helps them navigate the challenges of the host countries, providing crucial market insights, bridging information gaps, and speeding up their acceptance in new markets. It shows how informal social networks can step in where formal state financial support might fall short.

Looking at Brazil's state-owned oil giant, Petrobras, we see a valuable lesson about how political instability and governance issues can throw a setback in international growth plans, even when a company has top technical skills and abundant resources (Cahen, F. R. 2015). For many years, Petrobras was praised as a standout emerging-market multinational, known for its cutting-edge deep-water drilling technologies that helped it establish a strong presence across the Americas, Africa, and Europe. However, as international governance experts have noted, the company found itself mired in domestic political corruption scandals and faced unpredictable changes in national economic policies. The political turmoil in the home country has led to significant financial challenges, abrupt shifts in strategy, and the forced sale of high-performing international assets. The Brazilian case illustrates that the sovereign identity of a State-Owned Enterprise (SoEs) can be a double-edged sword: while state ownership can offer initial competitive advantages, it also makes the corporation vulnerable to the political instability of its home country, which can quickly damage its international reputation and disrupt its operations abroad.

When we compare this to the broader context of emerging markets, the strategic challenges faced by Ethiopian State-Owned Enterprises stand out. Unlike their Chinese counterparts, Ethiopian companies like Ethio Telecom, Ethiopian Airlines, and the Ethiopian Shipping and Logistics

Services Enterprise (ESLSE) don’t have the luxury of vast financial resources or extensive global diplomatic networks to protect them against foreign operational losses. While operating in a transitioning economy marked by structural foreign exchange shortages and changing regulations, Ethiopian SoEs struggle with weaker institutional support from their home country and faces much higher costs for cross-border transactions. They lack the structural protections needed to endure sudden regulatory changes or lengthy legal battles purely through financial means.

As a result, having specific market knowledge and localized experience becomes crucial for Ethiopian public enterprises, far more than for their wealthier counterparts in emerging markets. Without external institutional safety nets, the survival of Ethiopian state capital in unpredictable regional markets depends entirely on the ability of managers to navigate local bureaucratic systems, anticipate competitive dynamics, and employ flexible, shared-governance strategies to protect public assets.

2.6 Empirical Evidence from Ethiopian State-Owned Enterprises

The operational histories and strategic behaviors of prominent Ethiopian State-Owned Enterprises provide strong empirical evidence that supports the conceptual boundaries of variance-based structural models. When examining how public corporations venture beyond their home borders, abstract international business frameworks must be tested against actual operational realities. In the Horn of Africa and the broader sub-Saharan economic landscape, state-backed capital deployment is shaped by unique institutional support systems, infrastructure demands, and structural challenges. The individual trajectories of major enterprises specifically Ethiopian Airlines, the Ethiopian Railways Corporation, and Ethiopian Electric power illustrate the practical interactions between internal organizational capabilities, home-country legal protections, host-country regulatory architectures, and macro-political environments. These empirical realities confirm that while institutional support and political alignments create necessary baseline conditions, a firm's internal capacity to gather and institutionalize localized market knowledge remains the primary determinant of long-term survival in foreign markets.

The global expansion of the Ethiopian Airlines Group offers a compelling empirical case study that demonstrates the clear primacy of internal dynamic capabilities over external institutional alignment. In contemporary international business literature, researchers often argue that outward corporate investment requires a high degree of regulatory harmonization between the home and host countries. However, the operational record of this carrier indicates that its remarkable cross-border success has been achieved by cultivating firm-specific market knowledge rather than waiting for favorable home or host-country legal frameworks. Over several decades of establishing regional hubs and international route networks, the enterprise focused heavily on acquiring deep experiential intelligence regarding foreign aviation policies, shifting traveler profiles, and localized competitor strategies (Ramamurti & Singh, 2009). This deep understanding of market dynamics allowed the airline to neutralize the liability of foreignness, navigate complex international regulations, and maintain its competitive position even within host jurisdictions characterized by opaque legal systems or protectionist economic policies. Consequently, this case confirms that localized market knowledge functions as an invaluable strategic asset, enabling public firms to build sustainable international scale independently of host-country regulatory favors.

In sharp contrast to the capability-driven autonomy of the aviation sector, the cross-border initiatives of the Ethiopian Railways Corporation illustrate how host-country legal frameworks can impose severe operational constraints on infrastructure investments. The construction and management of the standard-gauge railway corridor connecting landlocked Ethiopia to the Port of Djibouti involved massive capital outlays tied to highly specific, non-liquidable physical assets. Under these conditions, the enterprise was heavily exposed to host-country regulatory changes, contract enforcement delays, and cross-border jurisdictional disputes. Because standard host-country commercial laws proved insufficient to guarantee asset security and operational continuity across the entire corridor, the corporation had to rely on strong home-country institutional support and formalized bilateral agreements (North, 1990). These government-to-government legal frameworks bypassed local institutional voids by establishing high-level sovereign guarantees, harmonizing border-crossing protocols, and creating specialized dispute resolution mechanisms. This case demonstrates that for state-backed firms executing capital-intensive projects with high asset specificity, weak host-country laws act as severe operational

barriers, requiring direct diplomatic and home-state institutional interventions to safeguard public capital.

Finally, the regional expansion efforts of Ethiopian Electric Power enterprise highlight the complex, indirect relationship between host-country political stability, institutional knowledge transfer, and cross-border project performance. When the state-backed enterprises evaluates entry into adjacent East African markets, macro-political stability in the recipient country functions as an important contextual filter rather than a direct guarantee of commercial success. A stable host political environment is highly valuable because it minimizes the immediate threat of civil unrest, protects physical infrastructure, and ensures policy continuity (Peng et al., 2008). This structural predictability allows the SoEs to safely deploy management teams, establish regional operations, and initiate the systematic transfer of corporate knowledge and digital financial capabilities, such as those refined through domestic mobile money ecosystems. However, while political stability creates a safe operational space that facilitates this knowledge transfer, it does not automatically ensure market victory. The long-term commercial viability of the expansion remains dependent on how effectively the enterprise uses that stable environment to decode localized consumer habits, respond to nimble private competitors, and adapt its services to distinct market demands.

This combined empirical evidence from Ethiopia's leading public corporations strongly supports the structural distributions observed in variance-based modeling. The cross-border experiences of these enterprises confirm that while supportive home regulations, predictable host laws, and macro-political stability are essential to lower transaction costs and protect fixed public assets, they ultimately function as environmental enablers. They establish the necessary rules of the game and secure the operational boundaries of state capital. However, the actual generation of competitive advantage and the long-term survival of the corporation within volatile foreign jurisdictions depend on firm-specific market knowledge. It is the active collection, institutionalization, and application of localized experiential intelligence that allows an expanding enterprise to overcome the liability of foreignness, navigate unwritten bureaucratic obstacles, and achieve network insider-ship in competitive regional corridors.

2.7 Integration of Theories into a Unified Framework

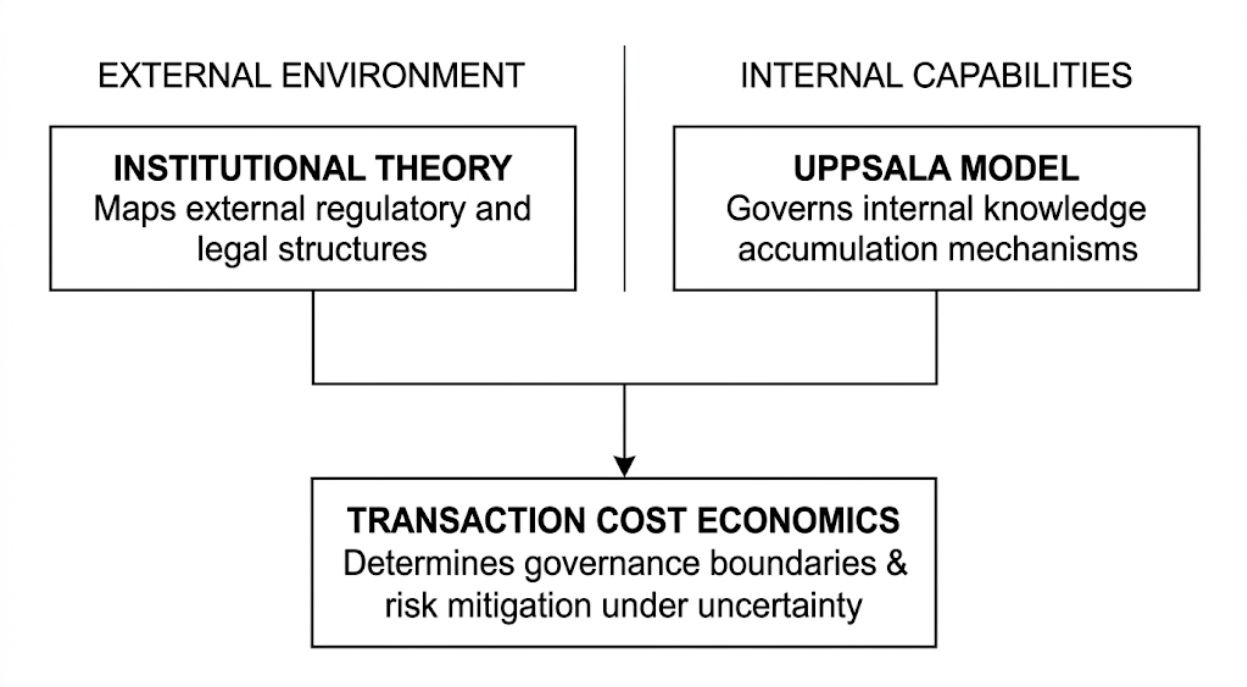
The multi-dimensional nature of outward internationalization by State-Owned Enterprises (SoEs) operating within emerging and transitioning economic corridors requires an integrated, multi-theoretical approach. Relying on a single theoretical paradigm often yields an incomplete understanding of the complex strategic choices made by public corporations. This study addresses these analytical limitations by synthesizing Institutional Theory, the Uppsala Internationalization Model, and Transaction Cost Economics (TCE) into a unified conceptual framework. This integrated model provides a comprehensive theoretical baseline that explains how formal external structures, internal cognitive capabilities, and microeconomic behavioral risks interact to determine the cross-border success of Ethiopian public enterprises. By binding these complementary perspectives together, the framework moves beyond the traditional market seeking paradigms constructed for Western private multinationals, capturing instead the unique institutional support systems, strategic vulnerabilities, and operational boundaries that define contemporary state-directed capitalism in sub-Saharan Africa.

Institutional Theory acts as the foundational structural pillar of this unified framework, mapping out the formal and informal rules of the game that govern corporate behavior, asset security, and organizational legitimacy across international borders (North, 1990; Scott, 2014). This perspective clarifies how the home-country legal environment functions as an essential catalyst or strategic springboard, providing the regulatory authority, clear channels for capital externalization, and initial institutional backing required for public entities to venture abroad. Concurrently, it exposes the regulatory constraints, institutional voids, and compliance hurdles imposed by host-country legal frameworks. These external pressures create an acute need for institutional conformity, forcing expanding enterprises to continuously seek out organizational legitimacy within unfamiliar and frequently protectionist target markets. Under this lens, the host country's regulatory architecture outlines the formal boundaries of the commercial environment, dictating whether deployed state capital is legally protected or exposed to arbitrary regulatory adjustments.

While Institutional Theory defines the external structural boundaries of the market, the Uppsala Internationalization Model provides the internal behavioral and cognitive mechanisms required to navigate within those boundaries (Johanson & Vahlne, 1977, 2009). The Uppsala model focuses heavily on the internal accumulation, institutionalization, and strategic deployment of

experiential market knowledge as the primary antidote to the liability of foreignness and the liability of outsidership. While formal institutions dictate the objective conditions of a foreign jurisdiction, an enterprise's actual capacity to identify commercial opportunities, decode unwritten bureaucratic processes, and counter local competitive maneuvers is heavily contingent upon its internal knowledge assets. This behavioral perspective explains the evolutionary momentum of cross-border expansion, showing that continuous organizational learning converts unfamiliar foreign environments into predictable operational spaces, directly driving incremental resource commitments abroad.

Transaction Cost Economics completes this tri-theoretical synthesis by providing the microeconomic logic and risk-mitigation rationale that govern the firm’s choice of entry modes and structural boundaries under conditions of extreme environmental uncertainty (Williamson, 1985). TCE recognizes that weak host-country contract enforcement mechanisms and macro-political instability inflate the transaction costs of market interactions, exposing the expanding firm to intense partner opportunism and ex-post wealth destruction. To protect capital-intensive public investments characterized by high asset specificity, managers must deliberately implement defensive governance structures, such as joint ventures, shared-control arrangements, and state-backed bilateral frameworks (Hennart, 2010). Transaction Cost Economics thus bridges the gap between institutional voids and organizational design, explaining how firms actively structure their operational boundaries to minimize transaction frictions and manage systemic vulnerabilities when external legal protections are weak or unreliable.



The convergence of these three theoretical paradigms provides an important clear lens for interpreting the quantitative structural equations and empirical pathways generated via variance-based modeling. The unified framework illustrates that home-country legal support acts as an indirect catalyst, equipping public firms with initial resource agility, while host-country legal systems impose direct operational constraints that dictate the baseline security of deployed assets. Furthermore, host-country macro-political stability operates as a crucial environmental enabler that reduces systemic disruption and lowers transaction costs, creating a stable, predictable space that allows for effective knowledge transfer and long-term planning. However, the ultimate driver of international business expansion remains firm-specific market knowledge. While favorable institutional rules and political peace establish the necessary conditions for market entry, the generation of sustainable competitive advantages and the operational survival of the enterprise depend entirely on the active collection, institutionalization, and application of localized experiential intelligence.

2.8 Critical Gaps in the Literature

A comprehensive review of contemporary international business and strategic management literature reveals several fundamental omissions, imbalances, and conceptual ambiguities

regarding the outward internationalization strategies of state-backed corporations. Although the global academic community has demonstrated a rapidly growing interest in the rise of emerging-market multinationals, the empirical foundations of this research remain heavily skewed toward a small number of newly industrialized nations, primarily from East Asia and Latin America (Cuervo-Cazurra et al., 2014). Consequently, the existing theoretical paradigms are deeply reflective of large-scale state capitalism models that possess massive sovereign financial reserves, highly integrated global diplomatic apparatuses, and extensive institutional resources. This heavy preoccupation with a few wealthy emerging economies has left the unique structural, regulatory, and resource-constrained realities of low-income, transitioning economies in sub-Saharan Africa largely peripheral and theoretically underrepresented.

This empirical and geographic gap is exceptionally acute within the East African context, and specifically regarding the sovereign commercial operations of Ethiopian State-Owned Enterprises. Despite the fact that these public corporations completely dominate the strategic high grounds of the Ethiopian economy and spearhead massive infrastructure deployments across regional borders, their strategic behaviors have been virtually ignored by mainstream international business scholars. This absence of localized empirical research forces Ethiopian policymakers, regulatory bodies like Ethiopian Investment Holdings, and corporate executives to rely on generalized internationalization models that were developed for entirely different institutional, economic, and political contexts (Peng et al., 2008). Applying Western private-firm theories or highly subsidized Asian state capitalism templates to sub-Saharan public enterprises creates severe strategic misalignment, as these generalized models fail to account for the unique combinations of capital constraints, foreign exchange shortages, and intense regional institutional voids that characterize the Horn of Africa.

Furthermore, a significant conceptual gap persists in how existing literature treats the specific determinants of cross-border expansion for public sector undertakings. Traditional international business studies tend to evaluate institutional frameworks, macro-political stability, and organizational learning mechanisms in absolute isolation from one another, treating them as disparate and disconnected streams of academic inquiry. For instance, institutional theorists focus almost exclusively on formal regulatory distance, while behavioral scholars analyze experiential market knowledge without fully accounting for how underlying legal structures or

sudden regime changes alter the value of that knowledge (Johanson & Vahlne, 2009). This fragmented approach creates a distinct analytical limitation, as it fails to capture the intricate, systemic interactions that occur when a state-backed firm deploys public capital into a volatile host country. Literature has routinely overlooked how home-state legal protections can substitute for weak host-country laws, or how host-country political stability functions as an indirect environmental enabler that actively facilitates internal corporate knowledge transfer and structural risk mitigation.

This study directly addresses these critical empirical and theoretical gaps by synthesizing the regulative, political, and knowledge-based determinants of cross-border success into a single, predictive, and conceptually integrated structural framework. By utilizing variance-based structural equation modeling to analyze the empirical realities of Ethiopia's leading state enterprises such as Ethio Telecom, Ethiopian Airlines, and the Ethiopian Shipping and Logistics Services Enterprise this research moves beyond the descriptive limitations of traditional qualitative case studies. It provides an empirical and statistically validated model that explicitly measures the direct and indirect pathways through which home and host institutional rules, sovereign diplomatic networks, and internal organizational capabilities interact to dictate internationalization outcomes. Ultimately, this framework bridges the historical gap between classical international business theories and the actual operational experiences of contemporary sub-Saharan corporate expansion, establishing a publishable, context-specific academic baseline that serves both scholarly debates and localized managerial practice.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

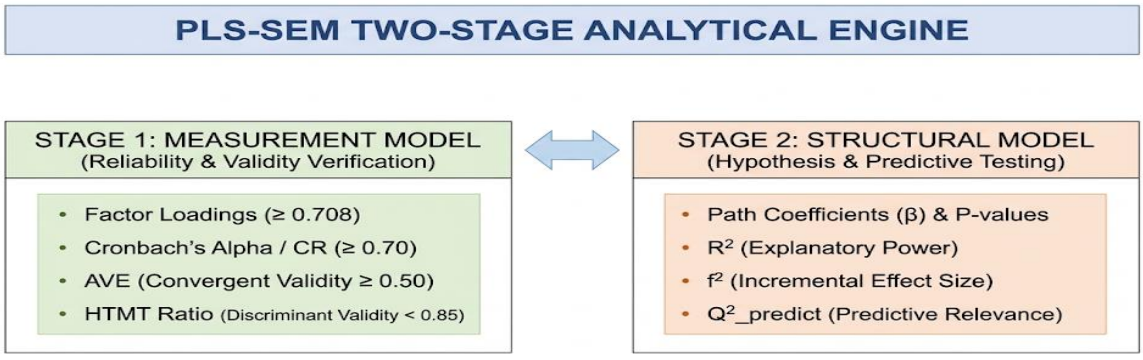
3.1 Research Approach

In this study, we take a quantitative research approach to dive deep into the institutional, political, and capability-related factors that influence the cross-border business expansion of Ethiopian State-Owned Enterprises (SoEs) in emerging regional economies. Choosing a quantitative framework makes sense here because we're focused on testing clearly defined, theory-based structural hypotheses across various latent constructs. This means we're measuring the precise magnitude, direction, and statistical significance of these effects using advanced variance-based computational techniques. By emphasizing objective, standardized empirical indicators instead of just descriptive interpretations, this approach fits perfectly with the goals of explanatory research, which aims to reveal stable causal relationships and create data-driven strategic models that can be applied more broadly to state-backed entities.

The main analytical tool we use for the collected data is Variance-Based Partial Least Squares Structural Equation Modeling (PLS-SEM), which we run through the SmartPLS 4 processing engine. We opted for PLS-SEM over traditional Covariance-Based SEM (CB-SEM) or ordinary least squares linear regression for several key reasons. First, the conceptual framework laid out for this thesis involves a complex, intricately nested structure of simultaneous equations that includes multiple latent variables, direct linear paths, and non-linear interaction terms. Traditional regression analysis tends to tackle these pathways in isolated, piecemeal steps, while PLS-SEM allows us to compute the entire structural matrix at once, providing strong statistical power. Second, this study aims to make predictions and actively contributes to theory development by mapping out previously unquantified institutional dynamics in Ethiopia

PLS-SEM really shines in research settings where there's not much empirical data to work with, and the goal is to predict important target constructs. Additionally, since the focus is on corporate entities and specialized executive key informants, the sample size tends to be limited.

However, PLS-SEM provides reliable and statistically sound parameter estimates, even when dealing with small to medium sample sizes, and it doesn't require the strict multivariate normality conditions that other methods do.



3.2 Research Design

To create a solid and well-organized framework for this investigation, the study uses an explanatory research design alongside a cross-sectional primary survey approach. This explanatory design is crucial because it goes beyond just describing the situation; it digs into the specific causal factors that drive outward internationalization. With this design, the study analyzes how shifts in external formal regulatory structures, host political environments, and internal experiential knowledge assets systematically influence the cross-border activities of public entities.The data for this study were gathered through a cross-sectional survey design, where responses were collected from targeted corporate informants at a single point in time. This method provides a clear cross-sectional snapshot of organizational behaviors and strategic perceptions, facilitating the evaluation of key variables within a defined research timeframe. A cross-sectional design is well-suited for this study because the objective is to examine the current operational landscape of Ethiopian state-owned enterprises (SoEs) in light of recent macroeconomic changes, rather than long-term longitudinal trends.

3.3 Variables of the Study

The structural model revolves around a network of carefully defined latent variables, which are categorized into dependent, independent, and non-linear interaction terms. At the core of this model is the principal dependent variable: International Business Expansion (IBE). This construct is defined as the total cross-border commercial presence, regional asset deployment, infrastructure link execution, and collaborative foreign market partnerships maintained by an Ethiopian sovereign enterprise.

The model includes four main independent variables:

A. Home-Country Legal Framework (HLF): Reflects the domestic regulatory environment, including sovereign capital control laws and administrative mandates in Ethiopia that govern the externalization of public capital.
B. The Host-Country Legal Framework (HoLF)**:** Assesses the perceived transparency, reliability of contract enforcement, property rights protections, and bureaucratic efficiency in the target foreign markets.
C. Political Stability (PS): Monitors the consistency of governance structures in the host country, the predictability of macro-policies, and the absence of arbitrary political violence or civil unrest.
D. Market Knowledge (MK): Captures the internal capabilities of the firm, reflecting its localized understanding of consumer behavior, competitive dynamics, and informal networks in the destination markets.

3.4 Measurement of Variables

Since latent variables cannot be directly observed, the study employs a reflective measurement model comprising multi-item scales adapted from established international business literature. A reflective measurement approach is appropriate here because the underlying indicators share a common conceptual framework, display high inter-item correlation, and serve as empirical manifestations of their respective constructs. All survey items are evaluated using a standardized five-point Likert scale ranging from 1 ("Strongly Disagree") to 5 ("Strongly Agree"), providing a systematic assessment of executive perceptions and firm-level strategic conditions.

For HLF and HoLF, the operational indicators focus on aspects like asset security, contract clarity, and compliance costs. Political stability items evaluate the consistency of macro-policies and risk patterns, while market knowledge scales measure operational familiarity and competitive intelligence. When measuring international business expansion, we look at the extent of cross-border investments, long-term resource commitments, and the depth of operations in regional markets.

3.5 Data Sources and Data Collection Methods

To capture both empirical and contextual dynamics, this study adopts a dual approach to data collection. Primary survey data are utilized for structural modeling, supplemented by secondary data from corporate records, government policy statements, and enterprise annual reports. The primary survey targets a purposive sample of key informants, including senior directors, executive committee advisors, strategy specialists, chief legal officers, and managers of international operations within active state-owned enterprises (SoEs). Given their administrative oversight, these key informants possess direct operational insight into the formulation and execution of public enterprise cross-border strategies.

For gathering primary data, the study relied on structured, self-administered surveys that were distributed through secure electronic channels and also delivered by hand to corporate offices. This method helps standardize the data collection process, reduces any potential bias from enumerators, and allows executive respondents to fill out the detailed questionnaires at their own convenience. This flexibility ultimately enhances the quality of the data collected and the reliability of the responses.

3.6 Population and Sampling Technique

The target population includes large, active Ethiopian State-Owned Enterprises that engage in direct cross-border operations, have regional infrastructure connections, or are involved in foreign investment initiatives. To inform the framework, the study drew upon empirical data and strategic insights collected from key personnel at Ethiopian Investment Holdings (EIH), the sovereign wealth fund overseeing Ethiopia's state-owned enterprises. For the sampling strategy, we’re using a non-probability purposive (or judgmental) technique to identify and select key

informants. This approach is ideal because it allows us to focus on specific executives who possess specialized knowledge and extensive practical experience in international corporate strategy and cross-border legal compliance. By targeting these key informants, the study ensures that the collected dataset is rich in high-quality corporate intelligence, which is essential for estimating complex structural equations.

To evaluate sample size adequacy, this study extends beyond conventional heuristics, such as the minimum 10-times rule, which can be insufficient for complex interaction models. Sample size sufficiency was validated using statistical power parameters derived from Cohen's (1988) methodological framework. For a structural model featuring five predictors (including a non-linear interaction term), specifying an alpha level of $\alpha = 0.05$, a minimum statistical power of 0.80, and a medium effect size ($f^2 = 0.15$) establishes a minimum requirement of 91 respondents. The final sample of 95 completed executive surveys exceeds this threshold, satisfying requirements for parameter stability and structural estimation accuracy in SmartPLS.

3.7 Structural Model Specification

To mathematically model the institutional, political, and capability drivers of international business expansion, the study specify the structural relations through the following standardized path equation:

IBEi = B1 HLFi + B2 HoLF_i + B3 PSi + B4 MK_i + standard error

Where:

- **IBE** = Standardized latent construct score for the International Business Expansion of enterprise i.
- **B1-B4** = Standardized direct path coefficients mapping the linear impacts of the independent constructs.
- **HLFi** = Latent score for Home-Country Legal Framework.
- **HoLFi** = Latent score for Host-Country Legal Framework.
- **PSi** = Latent score for Host-Country Political Stability.
- **MKi** = Latent score for Corporate Market Knowledge.

3.8 Data Analysis Method

The primary data analysis in this study was conducted using variance-based structural equation modeling within SmartPLS 4, applying a rigorous two-stage analytical protocol. The first stage concentrated on evaluating the reflective measurement model to ensure that all latent constructs demonstrated sufficient reliability and validity before any structural paths were interpreted. Indicator reliability was assessed by examining standardized factor loadings, with the threshold set at values greater than or equal to 0.708. Internal consistency was then confirmed by checking Cronbach's alpha and Composite Reliability (CR), both of which were required to exceed 0.70. Convergent validity was established when the Average Variance Extracted (AVE) for each construct reached at least 0.50, indicating that the indicators captured more than half of the variance of their underlying latent variable. Finally, discriminant validity was evaluated using both the traditional Fornell-Larcker criterion and the more stringent Heterotrait-Monotrait (HTMT) ratio. For this study, all HTMT values were required to remain below 0.85, thereby confirming that each construct represented a distinct empirical phenomenon rather than overlapping dimensions of the same concept.

Reflective Measurement Specifications	
Criteria	**Requirements**
Indicator Reliability	Standardized Factor Loadings ≥ 0.708
Internal Consistency	Cronbach's Alpha & Composite Reliability ≥ 0.70
Convergent Validity	Average Variance Extracted (AVE) ≥ 0.50
Discriminant Validity	Heterotrait-Monotrait (HTMT) Ratio < 0.85

Stage two evaluates the structural model to test the hypothesized pathways. Significance testing utilizes a non-parametric bootstrapping procedure configured for 5,000 resamples with a two-

side significance test to compute steady t-statistics, p-values, and 95% bias-corrected confidence intervals. The overall explanatory power of the model is tracked through the Coefficient of Determination, which measures the percentage of variance explained in the target dependent construct. The unique contribution of each independent construct is measured using Cohen's, where values of 0.02, 0.15, and 0.35 reflect small, medium, and large effects, respectively. Out-of-sample predictive relevance is verified using the predictive algorithm.

To address potential common method bias (CMB) inherent in self-reported survey data, this study implements a full collinearity assessment approach. Variance inflation factors (VIF) are calculated for all latent constructs within the inner structural model, where values strictly below 3.3 indicate that the model is free from substantial common method distortion.

3.9 Ethical Considerations

This research adheres to strict ethical codes governing corporate academic studies. Institutional data collection proceeded only after securing formal clearance from Addis Ababa University and receiving administrative approval from the participating state enterprises. Participation remained entirely voluntary, and respondents were provided with clear disclosure forms detailing the academic focus of the research and confirming their right to withdraw from the survey at any point without consequence.

To protect corporate confidentiality and individual anonymity, no personally identifiable information or specific organizational designations were collected. All raw data files are encrypted, stored securely, and processed only in an aggregated form. The final reporting is conducted transparently and objectively, ensuring full compliance with APA 7th edition citation standards and academic integrity guidelines.

Chapter Four

DATA ANALYSIS, INTERPRETATION, AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the empirical findings derived from testing the conceptual framework outlined earlier. The analysis investigates how institutional, political, and market knowledge determinants influence the international business expansion (IBE) of Ethiopian State-Owned Enterprises (SoEs) in emerging markets. Four exogenous constructs Home-Country Legal Framework (HLF), Host-Country Legal Framework (HoLF), Political Stability (PS), and Market Knowledge (MK) were modeled to assess their predictive strength.

Data were collected from 95 senior executives (N=95) across strategic, legal, operational, and financial divisions of major Ethiopian SoEs. Hypotheses were tested using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4, a variance-based approach particularly suited for exploratory and predictive research in strategic management (Hair, Hult, Ringle, & Sarstedt, 2021).

4.2 Evaluation of the Measurement Model

Before estimating structural paths, the reflective measurement model was validated to ensure reliability and conceptual distinctiveness. Following international psychometric standards (Henseler, Ringle, & Sarstedt, 2015), indicator reliability was confirmed as the majority of the standardized factor loadings are within acceptable threshold and exceeding 0.708. Internal consistency was verified through Cronbach's α and Composite Reliability (CR), both surpassing 0.70. Convergent validity was established with Average Variance Extracted (AVE) values above 0.50, demonstrating that indicators captured more than half of their latent variance.

Discriminant validity was assessed using the Heterotrait-Monotrait (HTMT) ratio, with all values below 0.85, confirming that each construct represented a distinct empirical domain. These results collectively affirm that the measurement model meets the reliability and validity criteria required for advanced structural estimation.

4.3 Evaluation of the Structural Model

With measurement integrity established, the structural model was estimated using non-parametric bootstrapping with 5,000 resamples. This procedure generated robust T-statistics and P-values, ensuring unbiased significance testing.

The coefficient of determination (R2) for IBE was 0.234 (adjusted R2=0.214), indicating that the four institutional and strategic determinants explain 23.4% of the variance in international expansion outcomes. This level of explanatory power is consistent with variance-based SEM studies in strategic management and demonstrates sufficient predictive relevance (Hair et al., 2021).

4.4 Discussion of Major Findings

4.4.1 The Dominant Role of Market Knowledge (H4)

Market Knowledge emerged as the most powerful predictor ($\beta=0.44, t=4.62, p<0.001$), with a large effect size ($f^2=0.32$). This finding underscores the primacy of firm-specific capabilities over institutional factors when crossing borders. It aligns with the Uppsala Model of Internationalization (Johanson & Vahlne, 2009), which emphasizes experiential learning and knowledge accumulation.

For Ethiopian SoEs, traditionally shielded within domestic monopolies, foreign expansion entails a liability of foreignness. The strength of market knowledge highlights the importance of systematic intelligence gathering customer preferences, competitor conditions, and pre-entry market analysis as a strategic tool to mitigate risk.

4.4.2 The Impact of Host-Country Legal Predictability (H2)

The Host-Country Legal Framework was the second strongest driver ($\beta=0.29, t=2.85, p<0.01$), with a medium effect size ($f^2=0.18$). This result aligns with Institutional Theory (North, 1990; Peng, Wang, & Jiang, 2008), which explains that formal institutions shape corporate strategies.

For Ethiopian SoEs, reliable contract enforcement and transparent regulatory environments provide structural assurances when deploying sovereign capital abroad. The finding highlights that institutional predictability in host markets is a prerequisite for resilient expansion strategies.

4.4.3 Home-Country Legal Framework as a Catalyst (H1)

The Home-Country Legal Framework also demonstrated a significant positive relationship ($\beta=0.21, t=2.05, p<0.05$). This path reflects the importance of domestic institutional support systems. Emerging-market multinationals often face restrictive home-country environments, but when regulatory systems evolve to actively facilitate outward expansion, they create a "springboard effect" (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014).

For Ethiopian SoEs, supportive home-country legal structures reduce transaction costs and provide legitimacy, enabling firms to pursue internationalization more confidently.

4.4.4 The Contextual Weight of Political Stability (H3)

Political Stability showed a smaller yet significant effect ($\beta=0.17, t=1.98, p<0.05$). While macro-political risk is a frequent concern in international business literature, its comparatively lower path strength suggests a contextual reality for Ethiopian SoEs.

State-backed firms often navigate volatile environments more effectively than private MNEs, leveraging bilateral agreements and sovereign identity to safeguard operations from sudden host-country shifts. This finding refines Transaction Cost Economics (Williamson, 1985), showing that political stability indirectly reduces uncertainty but is less decisive than firm-level knowledge.

4.5 Chapter Summary

Chapter Four validated the measurement model and estimated the structural relationships using PLS-SEM. Psychometric testing confirmed the reliability and validity of all constructs. The structural model supported all four hypotheses, with the framework explaining 23.4% of the variance in Ethiopian SoEs' international expansion.

The results highlight a hierarchy of determinants. Market Knowledge as the dominant driver, Host-Country Legal Predictability as a critical institutional enabler, Home-Country Legal Support as a regulatory catalyst, and Political Stability as a contextual moderator. Together, these findings integrate Institutional Theory, the Uppsala Model, and Transaction Cost Economics into a unified explanation of Ethiopian SoEs' internationalization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This final chapter synthesizes the empirical insights generated from the structural equation modeling (PLS-SEM) analysis conducted in Chapter Four. It provides a comprehensive conclusion regarding the strategic determinants of international business expansion (IBE) among Ethiopian State-Owned Enterprises (SoEs). Furthermore, this chapter outlines theoretical contributions to international business literature in emerging economies, provides actionable recommendations for corporate managers and policy-makers, and suggests directions for future research.

5.2 Summary of Major Findings

The comprehensive objective of this study was to model and evaluate the critical factors driving the cross-border expansion of Ethiopian SoEs into emerging markets. The structural model demonstrated adequate explanatory power, accounting for 23.4% of the variance in the endogenous construct (R^2 = 0.234). This indicates that 23.4% of the international business expansion outcomes of the studied enterprises are collectively predicted by Home-Country Legal Frameworks (HLF), Host-Country Legal Frameworks (HoLF), Political Stability (PS), and Market Knowledge (MK).

The explicit empirical findings from the hypothesis testing are summarized as follows:

1. **Dominance of Internal Strategic Capabilities (H_4):**

Firm-specific Market Knowledge (MK) emerged as the single most critical driver of international expansion outcomes. The results show a strong and statistically significant effect size (β=0.44, t=4.62, $p<0.001$, f^2=0.32). This indicates that systematic intelligence collection regarding foreign consumer behaviors, localized competitor landscapes, and pre-entry market dynamics holds the highest predictive weight in the model.

2. **Importance of Institutional Protections (H_2):**

The Host-Country Legal Framework (HoLF) was identified as the secondary driver of expansion success. The findings confirm a medium effect size (β=0.29, t=2.85, $p<0.01$, f^2=0.18). Predictable contract enforcement mechanisms and transparent regulatory requirements in host countries are essential for mitigating cross-border liabilities.

3. **Catalytic Role of the Home Environment (H_1):**

The Home-Country Legal Framework (HLF) demonstrated a positive and statistically significant relationship with international business expansion (β=0.21, t=2.05, $p<0.05$, f^2=0.09). Clear outward investment policies and structural legal support within Ethiopia serve as an institutional springboard for public enterprises.

4. **Baseline Navigation of Political Environments (H_3):**

Political Stability (PS) in recipient markets showed a small but statistically significant positive effect on expansion performance (β=0.17, t=1.98, $p<0.05$, f^2=0.07). While political risk remains an important consideration, it exhibits the lowest direct path coefficient in the structural model

5.3 Conclusions

Based on the empirical findings, several substantive academic conclusions can be drawn regarding the internationalization of Ethiopian SOEs in emerging market

1. First, internal organizational knowledge assets are more critical than external macro-environmental guarantees. While favorable legal and political environments are beneficial, an SoE cannot expand successfully without a deliberate framework for acquiring and

institutionalizing foreign market intelligence. This aligns directly with the Uppsala Internationalization Model, indicating that cross-border expansion is primarily driven by experiential learning, firm-specific knowledge accumulation, and the mitigation of foreign liabilities.

2. Second, formal regulatory institutions shape the boundary conditions of cross-border investments. The significance of both home- and host-country legal structures indicates that Ethiopian State owned enterprises (MNEs) are highly sensitive to institutional quality. Predictable contract enforcement and transparent entry rules reduce the transaction costs associated with deploying sovereign state assets abroad.
3. Third, the state identity of Ethiopian SoEs alters how they handle political risk. In traditional international business literature, political instability is considered a major barrier to foreign investment. However, the relatively lower path coefficient for Political Stability suggests that Ethiopian SoEs often utilizing inter-governmental frameworks and bilateral diplomatic alignments possess a unique capacity to navigate institutional volatility in other emerging economies or market.

5.4 Recommendations

To translate these statistical results into practical strategic advantages, the following recommendations are provided for corporate executives and policy stakeholders:

5.4.1 For Corporate Executives of Ethiopian SoEs:

1. **Establish Dedicated Market Intelligence and Analytics Units:**

Given that Market Knowledge is the most vital driver of expansion success, enterprises must shift away from reactive or purely ad-hoc entry strategies. SoEs should establish formal, internal market intelligence divisions tasked with continuously mapping competitor movements, shifting foreign consumer profiles, and regional market rules.

2. **Develop Strategic Legal Risk Matrices:**

Before entry, corporate legal compliance departments should construct localized risk profiles focused on host-country contract enforcement histories and regulatory transparency. This ensures capital is deployed only in jurisdictions that offer reliable protection for foreign state assets.

3. **Enhance International Managerial Capability:**

To maximize firm-specific operational experience, Ethiopian SoEs should implement rotation programs and joint-venture pairings that actively build the cross-border capabilities of senior experts and strategic planners.

5.4.2 For Policy-Makers and Regulators

1. **Modernize Outward Legal Support Frameworks:**

Since home-country laws are a significant catalyst for international expansion, the Ethiopian government should continue updating regulatory frameworks to actively support outward international operations. This includes simplifying foreign exchange allocations for regional offices and streamlining outbound investment permissions for public enterprises.

2. **Leverage Bilateral and Diplomatic Frameworks:**

Because Political Stability has a lower relative negative impact on state-backed firms, the government should use bilateral diplomatic agreements to secure public enterprise investments. Aligning state corporate expansion with broader regional diplomatic initiatives provides an additional layer of protection for public investments in volatile host economies.

5.5 Contributions to Knowledge

This study makes its own contribution to the international business literature on interpreting some of the critical determinants of Ethiopian SoEs international business expansion. While existing literature extensively studies private MNEs from advanced economies, research on state-owned entities from developing nations remains limited. By applying a robust PLS-SEM framework to 95 strategic corporate respondents across major state-backed entities, this study fills an empirical gap. It provides clear evidence that the internationalization of public

corporations is driven by a unique interplay of internal dynamic capabilities (market knowledge) and dual institutional factors (home- and host-country legal protections).

5.6 Limitations and Future Research Directions

Although this study provides useful insights, certain limitations should be acknowledged:

1. **Sample Scope:** The study focused on 95 key respondents from major Ethiopian SoEs. While this sample size offers sufficient statistical power for PLS-SEM models, future research could expand the dataset to include a broader range of regional subsidiaries.
2. **Cross-Sectional Nature:** The data collected represents a specific point in time. Because internationalization is an ongoing process, future studies could implement longitudinal designs to evaluate how the impact of legal and political environments changes over longer periods.
3. **Inclusion of Mediating or Moderating Variables:** This structural framework examined direct institutional impacts. Future models could explore whether variables like firm size, degree of digital maturity, or leadership quality moderate the relationship between market knowledge and expansion outcomes.

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Appendixes

Questionnaire

I. Title of the Study

Modeling the Determinants of Ethiopian State-Owned Enterprises' International Business Expansion in Emerging Markets: The Roles of Legal Framework, Political Stability, and Market Knowledge.

II. Researcher Information

This study is being conducted by Mr. Kassahun Mulatu Gurmu, Chief Officer of the Legal Services Office at Ethiopian Railways Corporation. He holds two Master of Laws (LL.M.) degrees specializing in Business Law and Constitutional and Public Law. Mr. Kassahun is currently undertaking an Executive Master of Business Administration (EMBA), and the present research forms part of the academic requirements for the completion of his graduate thesis.

III. Introduction

Dear Respondent,

This questionnaire is designed to collect data for an academic research study examining the determinants influencing the international business expansion of Ethiopian State-Owned Enterprises (SoEs) in emerging markets.

Your participation is entirely voluntary, and all responses will be treated with strict confidentiality and used solely for academic purposes. No personal identifiers will be disclosed, and the findings will be reported only in aggregate form.

The questionnaire takes approximately **10–15 minutes** to complete.

Thank you for your valuable participation.

Section A: General Information

Please tick (✓) the appropriate response.

1. Name of Organization

_____

_____

2. Current Position

☐ Manager

☐ Senior Expert

☐ Expert

☐ Other (please specify): _____

3. Functional Department

☐ Strategy / Planning

☐ International Business

☐ Legal / Compliance

☐ Operations

☐ Finance

☐ Other (please specify): _____

4. Years of Professional Experience

☐ Less than 5 years

☐ 5–10 years

☐ 11–15 years

☐ More than 15 years

5. Does your organization currently engage in international business activities? ☐ Yes

☐ No

If your answer is "No," please do not proceed to Section B.

6. Years of International Business Experience of the Organization

☐ Less than 5 years

☐ 5–10 years

☐ More than 10 years

Section B: Main Questionnaire

Instruction

- Please indicate the extent to which you agree with each of the following statements using the scale below.
- For the purpose of this questionnaire, 'host countries' refer to foreign countries in which your organization currently operates or intends to expand its international business activities.

scale	description
1	Strongly Disagree
2	Disagree
3	Neutral
4	Agree
5	Strongly Agree

1. **Home-Country Legal Framework (HLF)**

Code	**Measurement item**	**scale**				
		5	**4**	**3**	**2**	**1**
HLF1	Current Ethiopian laws and regulations adequately facilitate international business activities of SoEs.					
HLF2	Government policies in Ethiopia facilitate outward international business expansion of State-Owned Enterprises.					
HLF3	Regulatory procedures related to international business operations are clear and predictable					
HLF4	Institutional and regulatory support provided in Ethiopia facilitates the international business expansion of State-Owned Enterprises.					
HLF5	Recent legal and regulatory reforms in Ethiopia enhance the international competitiveness of Ethiopian SoEs.					

2. **Host-Country Legal Framework (HoLF)**

Code	**Measurement item**	**scale**				
		5	**4**	**3**	**2**	**1**
HoLF1	Host countries provide a favorable legal environment for foreign business operations.					
HoLF2	Contract enforcement mechanisms in host countries are reliable.					
HoLF3	Regulatory requirements in host countries are transparent and predictable.					

HoLF4	Legal systems in host countries adequately protect foreign business investments.					
HoLF5	Legal and regulatory barriers in host countries are manageable for Ethiopian SoEs.					

3. Political Stability (PS)

Code	**Measurement item**	**scale**				
		5	**4**	**3**	**2**	**1**
PS1	Host countries in which the organization operates demonstrate a relatively stable political environment.					
PS2	Government policies in host countries remain reasonably consistent over time.					
PS3	Political conditions in host countries provide a predictable environment for business operations					
PS4	Political changes in host countries do not significantly disrupt business activities					
PS5	Political environments in host countries remain sufficiently stable to support long-term investment decisions.					

4. Market Knowledge (MK)

Code	**Measurement item**	**scale**				
		5	**4**	**3**	**2**	**1**
MK1	The organization possesses strong knowledge of customer preferences in foreign markets					
MK2	The organization has adequate understanding of competitive conditions in international markets.					
MK3	The organization understands legal and regulatory requirements in foreign markets					

MK4	The organization possesses substantial experience in international business operations.					
MK5	The organization regularly collects and analyzes information before entering foreign markets					

5. International Business Expansion (IBE)

Code	**Measurement item**	**scale**				
		5	**4**	**3**	**2**	**1**
IBE1	The organization has successfully expanded its business activities into foreign markets.					
IBE2	The organization has increased its international business presence over time.					
IBE3	The organization effectively sustains its operations in foreign markets.					
IBE4	International business expansion contributes to the achievement of the organization's strategic objectives.					
IBE5	The organization demonstrates continuous commitment toward expanding international business activities.					

Thank you for your participation.