

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT



Factors influencing the Internationalization of Firms: Case of Addis
Ababa City Exporters

By

Habtamu Ditta Hirpo

GSE/4002/12

Advisor: Yohannes Workaferahu (PhD)

A Research Proposal Submitted to Addis Ababa University College of
Business and Economics Department of Management, Graduate
Program in Partial Fulfillment of the Requirements for the Award of a
Master's Degree in International Business

February, 2022
Addis Ababa, Ethiopia

Statement of Declaration

I hereby declare that the work which is being presented in this project paper entitled “Factors influencing the internationalization of firms: Case of Addis Ababa City Exporters” in partial fulfillment of the requirements of the MSc Degree in International Business with the constructive guidance and support of the research advisor.

This thesis is my own work that has not been presented for any degree or diploma program in this and any other institution and that all source of materials used for the thesis have been duly acknowledged.

Declared By: **Habtamu Ditta**

ID. Number: GSE/4002/12

Signature _____

Date _____

Addis Ababa University
School of Graduate Studies

This postgraduate thesis entitled “Factors influencing the internationalization of firms: Case of Addis Ababa City Exporters” and required to submit as part of the Master's Degree in International Business act under the University's regulations and meets the recognized values in terms of authenticity and reliability.

Signed by the Examining Committee:

Advisor:

Signature:

Date:

Name: Yohannes Workaferahu (PhD) _____

Internal Examiner:

Signature:

Date:

Name: _____

External Examiner:

Signature:

Date:

Name: _____

Acknowledgement

First, I would like to extend my deepest gratitude to the almighty God who gave me Strength to undertake this study. Next, I would like to extend my deeper gratitude to my advisor, Yohannes Workaferahu (PhD) for his vital comments, encouragements and guidance. My special thanks go to my family for the inspiration and unreserved support they extended. Also special gratitude is extended to my wife Tinsae Tekeba for her love, care, support and inspiration and Ato Addisu Jagema for his cooperation and unreserved assistance.

Finally, I would like to thank all my friends who helped me in any form of assistance.

Table of contents

Contents	page
Acknowledgement	i
Table of contents	ii
List of Tables	v
List of Figures	vi
ACRONYMS	vii
Abstract	viii
CHAPTER ONE	1
1. INTRODUCTION	1
1.1. Background of the study	1
1.2. Statement of the problem	2
1.3. Research question	3
1.3.1. General research question	3
1.3.2. Specific research questions	3
1.4. Objective of the research	4
1.4.1. General objective	4
1.4.2. Specific objectives	4
1.5. Hypothesis	4
1.6. Significance of the Study	5
1.7. Scope of the study	6
1.8. Limitation of the study	6
1.9. Organization of the Study	6
CHAPTER TWO	7
2. LITERATURE REVIEW OF THE STUDY	7
2.1. Theoretical review	7
2.2. Dunning's Eclectic Theory	9
2.2.1. Ownership Advantages	9
2.2.2. Location Advantages	10

2.2.3. Internalization Advantages	10
2.3. Transaction cost analysis	11
2.4. The resource-Based view	12
2.5. Institutional theory	13
2.6. Concept of Internationalization.....	14
2.7. Factors influencing internationalization	15
2.8. Drivers of Internationalization.....	16
2.9. Internationalization and Business performance	16
2.10. Perceived international Business Performance Measures.....	18
2.11. Empirical study	18
2.12. Conceptual framework.....	21
CHAPTER THREE	22
RESEARCH DESIGN AND METHODOLOGY	22
3.1. Introduction	22
3.2. Research Approach	22
3.3 Research Design.....	23
3.4 Sources of Data and Instruments of Data Collection	23
3.5 Survey Instrument	23
3.6 Sampling Technique and Population.....	25
3.6.1 Target Population	25
3.6.2 Sampling Technique.....	25
3.6.3 Sample Size	26
3.7 Methods of Data Analysis and Interpretation	26
3.8 Model Formulation and Specification.....	26
3.9 Reliability of the Study	27
3.10 Validity of the Study	28
3.11 Ethical Consideration	28
CHAPTER FOUR.....	29
Introduction.....	29
4.1. Survey Results.....	29

4.2. Demographic characteristics of respondents	30
4.3 Descriptive Analysis	32
4.3.1. Descriptive Stats for the variable Firm Size	32
4.3.2. Descriptive Stats on variable Competitive Advantage	33
4.3.3. Descriptive Stats on Market Characteristics.....	34
4.3.4. Descriptive Stats on Perceived International Business Performance	35
4.4. Inferential Analysis	36
4.4.1. Pearson Correlation Analysis	36
4.5. Diagnostic Analysis	37
4.5.1. Autocorrelation Test	37
4.5.2. Multicollinearity Test.....	37
4.5.3. Linearity test	38
4.5.4. Normality Test	39
4.5.5. Homoscedasticity test	39
4.6. Multiple Linear Regression Analysis Result	40
4.7 Discussion on the Findings	43
CHAPTER FIVE	46
5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	46
5.1 Summary of Major Findings	46
5.2 Conclusion.....	47
5.3 Recommendations	47
5.4. Future Research Directions	48
Reference	49
Appendixes	60

List of Tables

Table 3.1 Survey Instrument Examination	24
Table 3.2: Reliability Test.....	27
Table 4.1 Demographic characteristics of respondents	30
Table 4.2: Likert's-scaled criteria	32
Table 4.3: Descriptive stats for Firm Size	33
Table 4.4: Descriptive stats for competitive advantage.....	34
Table 4.5: Descriptive stats on market characteristics.....	34
Table 4.6: Descriptive stats on perceived international business performance	35
Table 4.7: Pearson correlation analysis	37
Table 4.8: Collinearity statistics	38
Table 4.9: Model Summary Table	41
Table 4.10: ANOVA model fit	41
Table 4. 11: Coefficients.....	41

List of Figures

Figure 2.1 Conceptual Framework	21
Figure 4.1: Test of linearity	38
Figure 4.2: Normality Tests of Residuals	39
Figure 4.3: Scatter plot for testing homoscedasticity.....	40

ACRONYMS

- FS Firm size
- CA Competitive advantages
- MC Market characteristics
- PIBFM Perceived international business performance measures
- CDF Critical Decision factors
- ANOVA Analysis of Variance
- SPSS Statistical Package for Social Science
- VIF Variance Inflation factor
- MNE Multi-national Enterprises
- TCA Transaction cost analysis
- SME Small and Medium Enterprises

Abstract

The study aims at identifying factors influencing internationalization and their relation with improved international business performance of export firms found in Addis Ababa city. Explanatory research design was used and data collected through primary source using questionnaire. 287 respondents were participated in the survey based on simple random sampling method of sample selection by using mathematical formula. In order to test the reliability of the instrument, the Cronbach alpha test was used. Pearson correlation and multiple linear regression analysis were employed to estimate the causal relationships between dependent and independent variables. Finally, the responses of the respondents were analyzed using descriptive Statistics, correlation, and regression through computer loaded SPSS software. The empirical results showed that host countries high market potential, reputation of the company's in the industry and increased value and number of employees were motivating factors for deciding internationalization of Ethiopian export firms. The effects of all predictors were statistically strong positive and significant effect on improved international business performance. The overall finding of this study suggests that firm size, competitive advantages and market characteristics had statistically strong positive and significant effect on improved international business performance. On this basis, it is recommended that export firms shall increase the value and number of employees and shall concentrate on host countries that have high market potential while deciding presence on international business activity. Moreover, export firms shall increase reputation of their companies in the industry; possession of unique proprietary technology shall be increased and should focus on host countries that have complementary and receptive organizational structures, processes and administrative conveniences while making foreign entry decisions.

Key words: Internationalization, Firm Size, Competitive Advantage, Market characteristics

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Internationalization is defined as a multistage process in which the firms make the incremental efforts to strengthen their market involvement and gradually obtain commitments from foreign consumers (Johanson and Vahlne 1977). There are two incremental channels for the internationalization process of the firms (Contractor et al. 2003; Johanson and Vahlne 1977; Westhead et al. 2001). The first channel involves internationalization enabling the products and services of the firms to penetrate foreign markets by starting to export to an individual foreign country or establish export channels. The second channel involves new internationalized firms that are beginning to expand their operations abroad, such as developing sale subsidiaries and outsourcing their production to the favorable locations in the host countries (Westhead et al. 2001). However, export activities are the main focus of most internationalized firms from developing countries to address the problem of an insufficient domestic market because they offer the best option to develop the market nature and size with the smallest associated cost (Contractor et al. 2003).

Regardless of which internationalization strategies that the firms choose to implement, it is widely accepted that they always start with developing the market knowledge and exploration (Contractor et al. 2003). After this, the firms will make decisions about whether they should export or not. It is undeniable that an increase in market knowledge will not only stimulate or discourage firms' decisions to internationalize but also is the key in determining the success of almost all internationalized firms once they decide to participate in the global market (Chen & Hsu 2010). Indeed, the internationalization process is often implemented incrementally along with the increasing market knowledge.

According to many researchers the factors that influence internationalization of firms are firm specific factor of firm size and the location specific factor of market characteristics (Javalgi et al; 2003, manager's international orientation, industry structure, international network and foreign market potential (Rutihinda, 2011). Firm's reputation, employee competencies and ability and the firms experience are factors that affect internationalization (Kanyagia, 2019).

There have been some studies on factors influencing internationalization of firms in Ethiopia (e.g., Yehualashet, 2015; Negussu, 2020; Alubel, 2017) however, the empirical evidence and contribution to theory on this topic is still lacking. For instance, Yehualashet (2015) contribute to the empirical evidence, his study has not identified specific theory of internationalization. In the meantime, researchers have argued that the Internationalization process crosses diverse theories (Morgan and Katsikeas, 1997; Welch and Luostarinen, 1988), but it is still inconclusive (Crick and Barr, 2007; Etemad, 2004; Han, 2007). Therefore, an integrated view of firm internationalization theories is recommended (Jones and Coviello, 2005).

Thus, this study explores the factors affecting the internationalization of export firms found in Addis Ababa City through the lens of Dunning's eclectic theory conceptualized as a tool that combines insights from resource-based (firm-specific), institutional (location), and transaction cost (internalization) theories (Brouthers and Hennart, 2007). Thus, the framework consist the firm-specific factors of firm size and competitive advantage as well as, the location-specific factor of market characteristics to assess international business performance (Javalgi et al., 2003).

1.2. Statement of the problem

The global market is increasingly becoming popular and gaining importance as a market and a base for internationally active organizations as well as those intending to go international. The international market is also composed of organizations that support the global economy because of their economic and technological importance. A look at the strategic management of international active firms reveal that investments being made in the world market are shaped by the current trends in internationalization of companies and the increased global competition as well as advancement in information technology (Wells, 2001). The internationalization process of organizations is recognized in various ways and it has received considerable attention from many scholars, academicians and business people in recent years. Companies have played a great role in the global economy in the recent years with many of them going international or at least having the idea of internationalizing their operations. Organizations that have expanded their operations to international markets use their diversification in the international market as an important tool for competitive advantage to achieve the much anticipated growth and profit maximization.

Companies internationalize because of many factors that include profit motives, costs minimization, diversification of the markets, search for new opportunities, saturated domestic market etc. The internationalization process of a firm involves many processes that are interlinked and the firm that wants to internationalize should always take these factors into considerations (Andersson, 2004). The factors include the knowledge on the market, the availability of resources, the strategies to be used and the market environment. It is important for a company to plan first before taking on an international assignment. Planning will help the organization not to make mistakes in its initiative. Despite the many motives of companies to internationalize and the advantages involved, there are obstacles that the company must overcome for successful internationalization.

Several research studies have been done on internationalization of organization: Yehualashet (2015) did a study on internationalization drivers of small and medium-sized manufacturing enterprises in Ethiopia : the case of leather and leather products industry; Tamrat (2014) did a study on internationalization challenges of Ethiopian SMEs; Yehualashet (2015) did a research on internationalization barriers of small and medium-sized manufacturing enterprises in Ethiopia: Leather and Leather products industry in focus. However, there was no known study that had been done on factors influencing internationalization particularly in export companies in Ethiopia. There is a research gap about internationalization process and its influence on firm`s business performance in the context of Ethiopia specially Addis Ababa city exporters. Hence, the study tried to identify factors that influence the successful internationalization factors of export firms found in Addis Ababa city.

1.3. Research question

1.3.1. General research question

What are the factors that influence internationalization of export firms' and how internationalization decision factors influence export firms' business performance in Addis Ababa City?

1.3.2. Specific research questions

- How do firm size influences international business performance of export enterprises in Addis Ababa city?

- How competitive advantage does influences international business performance of export firms in Addis Ababa city?
- How do market characteristics influences international business performance of export firms in Addis Ababa city?

1.4. Objective of the research

1.4.1. General objective

Based on the problem, the goal of this research is to analyze factors that influence internationalization and to examine the relationship between influencing factors and international business performance of export firms found in Addis Ababa city.

1.4.2. Specific objectives

The following specific objectives have been developed in the context of the above broad objective:

- To identify influence of firm size on internationalization of export firms' found in Addis Ababa City
- To examine the influence of competitive advantages on internationalization of export firms' found in Addis Ababa City
- To find out the influence of market characteristics on internationalization of export firms' found in Addis Ababa City
- To identify the relationship of firm size with international business performance.
- To investigate the relationship of competitive advantages with international business performance
- To find out the relationship of market characteristics with international business performance

1.5. Hypothesis

Operationalization of Firm Size induced entry decisions was based on financial assets and human capital availability. A perceptual measure of asset-specific investments that include technology asset specificity (Palenzuela and Bobillo, 1999) and human asset specificity (Brouthers and Brouthers, 2003; Brouthers et al., 2003) was used in this study. This is on the evidence that

financial and human capital reduces a firm's risk of failure in international expansion (Javalgi et al., 2003). Therefore the first hypothesis was developed.

H1: Firm Size has positive relationship with international business Performance.

The second influential factors, competitive advantage were operationalized using a company's possession of unique resources and distinctive skills (Javalgi et al., 2003; Williamson, 1985). This was based on Zhao et al.(2004) suggested that these advantages translates directly into superior market and financial performance (Brouthers,2002; Brouthers and Brouthers, 2003; Brouthers et al., 2003; Luo, 2001). Thus, the following hypothesis was formulated.

H2: Competitive Advantages has positive relationship with international business Performance.

Market characteristics of concern to managers include host government regulations and/or restraints on market entry, prohibition or limitation of foreign ownership, local content requirements, and financial and fiscal controls (Czinkota and Ronkainen, 1990; Dunning, 1980; Robock and Simmonds, 1989).

Market characteristics suggest that a country's environment affects firm internationalization decisions, because the environment reflects the "rules of the game" by which firms participate in a given market (Brouthers and Hennart, 2007). Hence, market characteristic induced decision was operationalized using Brouthers et al. (2002) and Javalgi et al. (2003) trade restrictions-tariff and non-tariff trade barriers. Therefore, the following hypothesis was hypothesized.

H3: Market Characteristics has positive relationship with international business Performance.

1.6.Significance of the Study

The purpose of this paper is to identify factors influencing internationalization at the perceived impact of successful internationalization decisions on the international business performance of Ethiopian firms involved in export expansion as a key strategy. This study explores the critical factors of international expansion, as well as the specific relationship between these critical factors and perceived international business performance measures, in order to address these issues. The export sector in Ethiopia has been facing different problems that preventing them

from expansion in the international operation. Due to this, Ethiopia's export sector has grown at a slower pace than the rest of East Africa. As a result, studying the determinant factors of the internationalization decision problem and their impact on firm performance will benefit export organizations in the country. Furthermore, the study will assist policymakers and government decision-makers in the export sector, and it may be used as a reference for researchers and academicians working in this field.

1.7. Scope of the study

The research focus was on identifying critical factors influencing internationalization decision of firms (firm size, competitive advantage and market characteristics) on export firms involved in Addis Ababa City. The research area was chosen specifically to make the data collection process easier and to manage the research with the time and resources available. It assists the researcher to stay focused and get quality data cop up with the available time and other resource limitations.

1.8. Limitation of the study

It's obvious that, combining all independent variables in a single econometrics model is impossible. And, that is why a disturbance term is usually unified in econometrics model (Brooks 2008). Hence, the study is limited to three independent variables (firm size, competitive advantage and market characteristics). More over the study relies on primary data sources only.

1.9. Organization of the Study

The paper has been prepared in such a manner to have five chapters. Chapter one deals with a brief outline of the study. The next chapter is review of related literatures regarding definition of internationalization, various theories of internationalization decision and relation between internationalization and business performance. Chapter three is concerned about study methodology, data sources and model specification. The fourth chapter talks about descriptive and inferential data analysis using SPSS software V.24. The last chapter consists of findings of the study, conclusions and recommendations and policy implications of the study.

CHAPTER TWO

2. LITERATURE REVIEW OF THE STUDY

2.1. Theoretical review

A large number of theories have been used to explain international entry decisions. Among the most commonly applied are transaction cost analysis (TCA), the resource based view, institutional theory, and Dunning's eclectic framework; these four theories are used as the theoretical foundation for almost 90% of the published entry mode studies (Brouthers and Hennart, 2007). Transaction cost analysis theory aims to identify environmental factors that, when combined with a set of related human factors, explain how businesses can organize transactions to lower transaction costs. Asset specificity and uncertainty are the most important environmental factors, while bounded rationality and opportunism are the most important human factors (Brouthers and Hennart, 2007).

Many scholars contested the classic strategy theory primarily with respect to the strategy formation process, another field of scholars questioned the content of especially the industrial analysis approach to strategy prescribed by Porter (1980), and an IO based theory, where profit is explained by choice of industry and the gaining of market power. These scholars sought to explain superior performance due to the firms' resources and their ability to utilize these (Brouthers et al., 2000, 2002, 2003; Brouthers and Hennart, 2007). Hence, the resourcebased theory views internal organizational factors as the determinants of international business strategy and performance (Asika, 2006).

The resource-based view suggests that firms develop unique resources that they can exploit in foreign markets or use foreign markets as a source for acquiring or developing new resource-based advantages (Luo, 2002). Luo (2002) suggests that firms develop resource-based advantages by developing or acquiring a set of firmspecific resources and capabilities that are valuable, rare and imperfectly imitable and for which there are no commonly available substitutes. Based originally on internationalization theory (Johanson and Vahlne, 1977) scholars have suggested that over time firms gain experience in foreign markets and therefore move from simple exporting operations to more complex organizational structures, suggesting that international experience provides some type of firm-specific advantage (Brouthers and Hennart,

2007). However, resourcebased entry decisions research appears to be fairly limited. The knowledge about how resources influence internationalization decisions may be advanced by studies that develop other measures of resource advantages and that combine the resource-based view with other perspectives such as transaction cost or institutional theory (Brouthers and Hennart, 2007).

In defiance to the institutional-based theoretical perspective of international business strategies, the influence of the “environment” (Lawrence and Lorsch, 1969) has long been featured in the industry- and resource-based views. What has dominated the research is a “task environment” view, which focuses primarily on economic variables such as market demand and technological change (Dess and Beard, 1984). Institutional theory research suggests that a country’s institutional environment affects firm entry decisions because the environment reflects the “rules of the game” by which firms participate in a given market (Brouthers and Hennart, 2007). Research in this area has tended to concentrate on host country institutional environments or differences between home and host country. Typical of this research is Brouthers et al. (2002). They examined five types of risk or uncertainty: product, government policy, macroeconomic, materials, and competition. Although earlier institutional theories helped develop our understanding of differences in institutional environments between home and host countries and how these differences might influence the mode choice decision, they tend to lack a theoretical basis on which to select the risk factors to be included in each study (Brouthers and Brouthers, 2001; Brouthers and Hennart, 2007). Hence, each study seems to use those risk factors that are deemed appropriate by the authors (Brouthers et al., 2002).

Dunning (1993) proposes that the three traditional perspectives were singly incomplete and could not adequately explain either the decision to internationalize or the mode of international expansion (Brouthers and Hennart, 2007). Dunning’s eclectic theory identifies three components or conditions: ownership advantages, location advantages, and internalization advantages. Dunning’s eclectic theory is a transaction cost-based theory that seeks to explain the transfer, internationalization, and firm-specific ownership advantages (Brouthers and Hennart, 2007). Hence, the theory suggests the importance of firm- and locationspecific factors to explain international operations. Dunning’s (1993) eclectic or OLI (ownership, location, internalization) framework is also among the most frequently applied perspectives in international entry decision

research, and can be conceptualized as a tool that combines insights from resource-based (firm-specific), institutional (location), and transaction cost (internalization) theories (Brouthers and Hennart, 2007).

2.2. Dunning's Eclectic Theory

The eclectic paradigm of Dunning is celebrated as one of the most beneficial approaches to explain the process of internationalization. Dunning (2001) tells that he launched the paradigm in 1976 by himself. John H. Dunning which is Professor of International Business presented its approach at a Nobel Symposium on the International Location of Economic Activity in Stockholm. Dunning (2001) purported that he worked since the mid-fifties on its eclectic paradigm. During the next years, the paradigm had been adopted by Dunning according to the changing companies' behavior and the changing environmental circumstances (Dunning, 1977, 1979, 1980, 1988, 1995, 1999, 2000 in Perlitz, 2004; Kutschker & Schmid 2006). Kutschker & Schmid (2006) stated that the name eclectic paradigm comes from the fact that Dunning sees its approach rather as a "conglomeration" of various factors (eclectic) which are "melting into a paradigm" than a proper theory. This is seen in the fact that Dunning called its approach 'systemic theory' in past and afterwards, since 1988, eclectic paradigm (Dunning (2001), Dunning (1977) in Kutschker & Schmid, 2006).

Dunning's paradigm assumes that international activities undertaken by a company are depending on several factors. The eclectic paradigm is often cited as a three-tiered framework because of the importance of three factors: ownership-specific advantages, locational advantages and internalization incentive advantages, called "the OLI characteristics" by Dunning (2001). Perlitz (2004) states that Dunning examines the impact of these "OLI" advantages for firms' and their building up of production sites abroad. In fact the Eclectic Paradigm shares some ideas with the transaction cost theory.

2.2.1. Ownership Advantages

Dunning (1993) describes the ownership advantages as "the 'why' of MNE activities". The question for companies is: Why to go abroad? Kutschker & Schmid (2006) state that Dunning refers to approaches of the monopolistic advantage by the ownership advantages. According to

Kutschker & Schmid (2006), John H. Dunning sees three classes of 'O' advantages. Kutschker & Schmid (2006) say in the first place, there are 'O' advantages which follow from a company's long subsistence compared to market participants. These advantages are access to markets, organizational and marketing systems, R&D activities, innovatory capacity, brand loyalty and economies of scale etc. according to Dunning (1993). Kutschker & Schmid (2006) state in second place, there are advantages which are connected by a company's internationality, especially a better access to resources. In third place, it is referred to 'O' advantages which exist independent from a company's long existence and internationality such as technology, patents or management skills. When a company has specific ownership advantages, the firm can overcome costs when engaging abroad. Additional having ownership advantages are seen as a precondition for companies engaging in a foreign country.

2.2.2. Location Advantages

Dunning (1993) defines the location advantages as "the 'where' of production". The question is: Where to start production abroad? Kutschker & Schmid (2006) states that Dunning refers to the location theories by the location advantages. In general parlance location advantages mean that some locations are more favorable to exert particular activities than others. Dunning (1993) refers to "the possession of natural resources and communication infrastructure" as well as "tax and other incentives". There are additional factors as "material and labor costs; market size and characteristics" and "government policy" The essence is that an enterprise should establish in a foreign country itself when that would bring further benefit to the company. Welge & Holtbrügge (2003) see 'L' advantages as the precondition for foreign direct investments.

2.2.3. Internalization Advantages

The internalization advantages are seen by Dunning (1993) as "the 'way' of involvement". The question is: How will a company go abroad?

Dunning (1993) state that internalization advantage leads to export. In Dunning's view (1993) exist I-advantages "to ensure stability of supplies at right price; control markets. Wish to reduce transaction or information costs, buyer ignorance, or uncertainty, etc.; to protect property rights." The most important fact to pay attention to is that the OLI advantages cannot be regarded

separately. They are linked. Enterprises decisions to internationalize are influenced by three other factors: County or region, industry or activity and firm (Dunning, 1993).

2.3. Transaction cost analysis

Another widely used international organization-based theoretical perspective in international entry mode research is Transaction Cost Analysis (TCA). The approach aims to identify environmental factors that, when combined with a set of related human factors, explain how businesses can organize transactions to lower transaction costs. Asset specificity and uncertainty are the most important environmental factors, while bounded rationality and opportunism are the most important human factors.

Competitive foreign markets for intermediary services limit the ability of independent channel members to behave opportunistically because intermediaries are replaceable. When markets fail, however, behavior may no longer be controllable at a low cost. A necessary condition for market failure occurs when an exchange requires one party to invest in assets, whether physical or intangible, that has no alternative usage outside that exchange. Such investment has the effect of reducing a largenumbers bargaining situation (i.e., one in which many intermediaries are available) to a small-numbers situation. As John & Weitz (1988) state, "Because non-re-deployable specific assets make it costly to switch to a new relationship, the market safeguard against opportunism is no longer effective." Under such conditions in foreign markets, firms are likely to use relatively integrated channels in which opportunism can be combatted through the exercise of legitimate authority, the monitoring of behavior, and the offering of more varied incentives than can be used with independent channel members. The positive effect of asset specificity on channel integration has received empirical support in studies by Anderson & Coughlan (1987), and John & Weitz (1988).

To date, the external uncertainty construct in transaction cost analysis has been treated as one-dimensional and viewed as another feature of market failure. High external uncertainty, given bounded rationality, precludes the writing and enforcement of contingent claims contracts that specify every eventuality and consequent response (Anderson and Weitz 1986). It allows negative information asymmetries to develop and provides the potential for outside intermediaries to behave opportunistically. As Williamson (1975) states, "When, however,

transactions are conducted under conditions of uncertainty/complexity, in which event it is very costly, perhaps impossible to describe the complete decision tree, the bounded rationality constraint is binding and an assessment of alternative organizational modes, in efficiency respects, becomes necessary.’’

Firms internationalize, according to this theory, because they have a competitive advantage over other firms in the targeted market in terms of access to superior technology or knowledge edge, products, processes, or patents, better access to capital, and superior corporate governance. Firms will improve their business performance in an international market by maintaining a cost advantage, which will aid in exceeding the target market share.

2.4.The resource-Based view

The resource-based approach is a new and promising theoretical framework that is being applied to company internalization. The common theories and models of corporate internalization ignore, to some extent, the strategic perspective of decision-makers. As a result, the resource-based perspective may be a useful theoretical framework for expanding to include the internationalization of Firms and their specific resources representing competitive advantages, allowing them to develop as well as successfully enter and operate in international markets (Ruzzier, et al., 2006). Yehulashet (2015) mentioned the resource-based perspective provides a theoretical foundation for the significance of different types of resources to firms' overall competitiveness and performance. Due to the variety of firms and environments in which they operate, issues arise when identifying and defining the company's critical resources required for internationalization. Additionally, Brouthers and Hennart (2007) mentioned that the resource-based view (includes knowledge-based and organizational capabilities theories) recommends that firms develop special resources that they can exploit in foreign markets or use foreign markets as a source for obtaining or developing new resource based benefits. They also mentioned that experience was one of the earliest resources to be explored in relation to entry mode choice. Through time firms gain experience in international markets help them to move from simple exporting operation to more difficult operation such as joint venture, they also suggested that foreign market experience provide some type of firm-specific advantage.

Theoretical explanations about the firm's diversification strategy are also provided by resource-based theory. This path is influenced by the nature of the company's available resources as well as market opportunities in a new environment. The resource-based theory views internal organizational factors as the determinants of international business strategy and performance. According to the resource-based viewpoint, valuable firm resources (both tangible and intangible) are typically scarce, imperfectly imitable, and devoid of direct substitutes. According to the resource-based perspective, firms develop unique resources that they can exploit in foreign markets or use foreign markets to acquire or develop new resource-based advantages. Firms gain resource-based benefits by developing or acquiring a set of firm-specific resources and capabilities that are valuable, scarce, and imperfectly imitable, with no readily available substitutes. Resource Based View (RBV) is the main theoretical framework that has informed the study. The possession of the exceptional resources is assumed to be the reason why Medium firms in the same industry and location respond differently to export stimuli; one initiating export business and is in a position to meet its export orders while another similar one is not. The argument is that the internal resources tangible or intangible are the main explanatory factor of firm internationalization (Irungu and Ndegwa 2010).

2.5. Institutional theory

Institutional theory of organizations focuses on the fundamental question why all organizations in the market tend to look and doing the same? However, institutional theory branches from sociology, economics and political sciences, the supporters of sociological perspective have explored legitimacy role of institutions. They emphasize that organizations are impacted by different normative pressures, arising from external sources and within organization. The normative pressures lead the organizations to be directed by legitimated elements and implementation of these elements increases the possibility of survivor. Additionally, institutional theory research recommends that a country's institutional environment affects firm entry decisions because the environment reveals the "rules of the game" by which firms participate in a given market (Olawumi Dele, 2013; Brouthers and Hennart, 2007). For the moment, the attitudes towards institutional theory from economics share the idea that institutions are the rules of the game in a society. Especially, the followers of economics perspective distinguished two groups of institutions: formal constraints (e.g. laws, rules, constitutions) and

informal constraints (e.g. norms of behavior, conventions, and self-imposed codes of conduct). The set of macro-level institutions influence transaction costs (Korsakienė et al., 2015).

Different scholars have been used the assumption of institutional theory mainly focused on multinational corporations (MNCs) and planning to find wide issues. The nature of MNCs leads to different external environment and difficult internal environment. For example, externally MNCs are exposed to different institutional, cultural and economic environments. In fact MNCs are facing issues related with establishment and maintenance of legitimacy in multiple host environments.

2.6. Concept of Internationalization

Internationalization is defined as a multistage process in which the firms make the incremental efforts to strengthen their market involvement and gradually obtain commitments from foreign consumers (Johanson and Vahlne 1977).

There are two incremental channels for the internationalization process of the firms (Contractor et al. 2003; Johanson and Vahlne 1977; Westhead et al. 2001). The first channel involves internationalization enabling the products and services of the firms to penetrate foreign markets by starting to export to an individual foreign country or establish export channels. The second channel involves new internationalized firms that are beginning to expand their operations abroad, such as developing sale subsidiaries and outsourcing their production to the favorable locations in the host countries (Westhead et al. 2001). However, export activities are the main focus of most internationalized firms from developing countries to address the problem of an insufficient domestic market because they offer the best option to develop the market nature and size with the smallest associated cost (Contractor et al. 2003; Hutchinson et al. 2007). Regardless of which internationalization strategies that the firms choose to implement, it is widely accepted that they always start with developing the market knowledge and exploration (Contractor et al. 2003). After this, the firms will make decisions about whether they should export or not. It is undeniable that an increase in market knowledge will not only stimulate or discourage firms' decisions to internationalize but also is the key in determining the success of almost all internationalized firms once they decide to participate in the global market (Chen and Hsu 2010). Indeed, the internationalization process is often implemented incrementally along with the

increasing market knowledge. By learning the characteristics, tastes, and cultures as well as attaining useful information about the aimed foreign markets, the firm can enable their products and services to meet a wide range of standardized requirements and accumulate international experiences for further expansions (Oeconomica 2014).

2.7.Factors influencing internationalization

Globalization makes firms to expand their market internationally; their primary concern is building effective boundaries for firms. Different international research concerned on this issue by searching what form of operation firms use to join in international market (Brouthers and Hennart, 2012). There are different ways of entry mode decision, such as, through contracts (with distributors, licensees, franchisees and resource suppliers) or by establishing the firm in another countries or setting up sales or manufacturing subsidiaries and by deciding to set up networks whether they will share the ownership with other firms (Joint Venture (JV)) or decide to keep full ownership (a wholly owned subsidiary (WOS)). But in this study the main concern is not about to choose entry mode rather to find what determinants of internationalization decision process and how their influence on firms business performance.

Multivariate statistical analysis confirmed that previous experience of selling goods or services abroad is a key influence encouraging firms to export. Businesses with older principal founders, with more resources, denser information and contact networks, and considerable management know-how are significantly more likely to be exporters. Further, businesses with principal founders that had considerable industry-specific knowledge are markedly more likely to be exporters. The environment forces of a business organization, which can be external or internal, can stimulate internationalization. The external factors that have an influence on the internationalization process are those that are beyond the firms' control. To put it another way, they characterize the firm's opportunities and threats. Ellis and Williams (1995, cited in Odhiambo, 2012) categorize external factors into three level; Meta level, industry level and firm-specific level. Meta level factors are concerned with the fluctuations in the broad environment including political, economic, ecological, social, and technological factors. Industry-level factor is competitive forces within the industry. Firm-specific factors could contain either a merger and or take-over resulting in change in ownership or shareholder pressure. The organization may not

have much control over these factors despite their influence on the competitive strength of the organization.

According to existing literature, there are numerous potential barriers to internationalization in developing countries such as Ethiopia (ranging from high transportation costs to inadequate infrastructure, bureaucratic red tape, poor product quality for international markets, and so on). Yehulashet (2015) identified internationalization barriers in Ethiopia were, such as, informational barriers, logistic related barriers, functional barriers, and procedural barriers, government related barriers, and product related barriers and environmental barriers.

2.8. Drivers of Internationalization

Why does a firm's management choose to go international? The first, perhaps obvious, factor in going global is the same as it is in any business decision: determination and commitment to success. Management must be eager to expand internationally and make a serious, determined commitment to identifying potential and making the necessary commitments and preparations. Aside from wanting to do it, the company must also have the ability, skill sets, and other resources to succeed. At the outset of a program the majority of those resources might not be in-house, but they must be available to the firm in some form.

The motives are often mixed and usually multiple. These motivators to go international can be classified as proactive (aggressive) or reactive (defensive). When firms perceive some difficulties in their business performances and try to maintain their profitability and competitive position in the markets. Defensive or reactive reasons are considered push factors that drive firms to engage in cross-border activities (Odhiambo, 2012). External forces that improve the firm's competitiveness provide attractive incentives for it to internationalize, like attract the firm by offering incentives or pull the firm by highlighting the advantages of larger and more prosperous international markets

2.9. Internationalization and Business performance

The contribution of exports to firm growth through sales increase is straightforward. By selling in new geographic markets, a firm broadens its consumer base and can potentially achieve a higher sales volume. Thus, by broadening markets, creating room for expansion and enabling the

achievement of economies of scale and improved efficiency, exporting to foreign markets is considered a crucial factor for firm growth and profitability (Lu & Beamish, 2006).

According to Kirca et al. (2011), “no theoretical rationale supports a generalizable multi-nationality-performance relationship”, and Hennart (2007) argues that “it seems difficult to develop a single theory that would predict the effects of such expansion on profits”. Thus, since internationalization is a multi-layered concept, its relationship with performance must be approached with a set of different theories. These multiple lenses would try to explain the effects of internationalization on performance (Nguyen, 2017).

Miller et al. (2016) identify three distinct facets of internationalization: international intensity, international diversity and international distance. International intensity captures the firm’s commitment to serving customers in foreign markets. International diversity captures the breadth versus depth of internationalization by studying the dispersion of a firm’s operations across the host countries (Goerzen & Beamish, 2003; Kim et al. 1989). International distance refers to the geographic, cultural, institutional, and economic differences between the characteristics of the firm’s home country and those of the host countries of its subsidiaries. International distance introduces costs and benefits, with firms normally entering first proximate markets (Johanson & Vahlne, 1977) and experience regional effects (Ghemawat, 2001; Goerzen & Beamish, 2003; Navarro-García et al., 2016; Qian et al. 2008).

Pangarkar (2008) argues that prior literature on the relationship between internationalization and performance is hampered by problematic measures for the key constructs (degrees of internationalization and firm performance), since there is a lack of uniformity across different studies that yield inconsistent results. Much of the literature on international strategy tends to agree that the benefits of internationalization outweigh the increased costs and hence should positively impact firm performance (Gomes & Ramaswamy, 1999; Papadopoulos & Martín, 2010). Some authors argue that this conclusion is not so clear-cut, due to their internal constraints and ability to compete in international markets (Pangarkar, 2008). Despite the constraints and challenges faced, SMEs are likely to enhance their performance through greater internationalization (Pangarkar, 2008). Nevertheless, international expansion involves high risks and uncertainties, therefore, firms having the organizational and resource endowments required

to deal with those risks are likely to be more proactive in international expansion, as these resources and capabilities are key success factors for innovation (Singla & George, 2013)

2.10. Perceived international Business Performance Measures

Business performance refers to how well an enterprise performs, and is an important construct in determining organizations success (Khong and Mahendhiran, 2006). Business performance outcomes can be considered both in financial and non-financial terms (Bontis, 1998; Bontis et al., 2000). While business performance of the enterprise determine the objective measures such as return on investment, profits and sales turnover, perceived measures of international business performance of the enterprise relates to perceived management satisfaction and improved percentage of foreign sales. In this paper, the latter was used to measure because perceived measures can replace objective measures of international business performance (Dess and Robinson, 1984). Additionally the reliabilities and correlations between objective measures and perceived measures are strong (Lyles and Salk, 1996). In addition, individual organizations have defined missions and objectives prior to their entry into foreign markets; therefore, perceived satisfaction with obtained results may be a more realistic measure of international performance, given diverse objectives of internationalization (Javalgi et al., 2003).

2.11. Empirical study

In an increasingly globalizing economy, many firms are driven by the need to expand business to international markets. Before proceeding to what international research and studies have been said about internationalization decision process the term should be clearly defined. Different researchers and scholars defined the term internationalization from several perspectives. According to Welch and Luostarinen (1988) indicated it is difficult to discuss because it has not been clearly defined. They also defined that the term tends to be used roughly to show outward movement in an individual firms or groups of firm's international operation or the process of increasing participation in international market operation. Wright and Ricks (1994) cited in (McDougall and Oviatt, 2000) said it is firm level business activity that crosses national borders and that such activity give attention on the relation between business and the international environments in which they operate. The decision making process regarding the

internationalization revolves around the choice of market, timing and mode of entry (Hermannsdottir, 2008).

Globalization makes the world one village, it helps countries make trade in domestic and internationally between them. Firms in different countries either small or big to expand their profit they may participate in internationalization process. Due to this different researchers and scholars have been giving greater attention on factors that influence internationalization process and its effect on their business performance. According to Olawumi Dele (2013) study found that an institution-based view of international entry decision, in combination with transaction cost- and resource-based views, will not only help sustain a strategy tripod, but also shed significant light on the most fundamental questions confronting international entry decisions. Deuer (2013) research on “Factors that influence the internationalization decision in firms from developing market context in the case of Bolivian Firms” was found that firms from a developing country context first enter markets with lower quality demands and then gradually improve quality and enter markets with higher quality demands and internationalize based on domestic cost advantages versus domestic firms elsewhere. Additionally, study made by Singla and George (2013) on the relationship between internationalization and performance found out that business group affiliation and firm age positively moderate the I–P relationships, which implies deeper institutional, resource-based, and legitimizing effects. Study made by Stucchi et al., (2015) on “the Effect of Institutional Evolution on Indian Firms’ Internationalization” show that outward-oriented institutional changes have the strongest positive effect on domestic firms’ internationalization.

Study made by Olawumi Dele (2013) in Nigerian manufacturing firms were identifies the level of technological advancement, high market potential in the host country, Price stability, controlled inflation and favorable monetary policies in a host nation and favorable government policy in the host and home countries as significant factors influencing the decisions to increase international investments. Moreover, study made by Odhiambo (2012) found out that internationalization process has been influenced by government legislation, local market dynamics and international prices as well as competition, globalization, opening up of international markets, firm size and corporate culture of the firm.

According to Irungu and Ndegwa (2010) study made in Kenya export firms found out that firm's internal resource capacity was the major determinant effect on their internationalization decision process. However, researches have been studying on the context in Ethiopia focused on export barriers and performance, since there are limited number of studies been made on factors influencing internationalization of export firms. Previous study made on leather industry by Abdurrahman (2012) mentioned that the leather Industry was not internationally competitive due to low processing human skills, lack of sufficient market information, limited technological capabilities and lack of modern processing equipment, malfunction of the market system and structural problems.

According to Yehulashet (2015) study on Determinants and Impediments in the internationalization process of Small and Medium size manufacturing enterprises in Ethiopia found out that firm size was the most significant motivator of SMEs internationalization process. Additionally, his study also found out that logistics problem, insufficient finance, functional barriers, lack of export knowledge and information, procedural barriers and international trade barriers are the factors hindering it. Usually in developing countries the process of entry mode selection is in terms of export of goods and service. The export intensity has positive relationship with business performance which is measured by firms export total sales.

Alubel (2017) did study on assessment of factors influence entry mode choice of companies (foreign companies in Ethiopia). Specifically the study tried to investigate internal (product factors, company size and international experience) and external factors (target country market, production, environmental and firms home country factors) influencing entry mode choice of companies. The study indicated company's size is positively and statistically significant influence the choice of joint venture over green field investment, also firms' home country factors is negatively and statistically significant influence the choice of joint venture over green field investment.

Study conducted by Negusu (2020), on factors influencing the export marketing performance: the case of Ethiopian exporters identified independent variables found in the study (firm characteristics, market characteristics, product characteristics, market orientation, export marketing strategy and entrepreneurial orientation) were found to have no positive influence and have no significant association with the Export Marketing Performance.

According to Tamrat (2014), study made on internationalization challenges of Ethiopian SMEs, the study tried to identify the challenges that hinder their internationalization activities in order to minimize the internationalization problems faced in the future. The results of the study reveal that both the internal as well as the external factors were found to be challenges for the Ethiopian SMEs. Both the qualitative and quantitative results showed that lack of internationalization, marketing and information knowledge, the quality of the export item, the distinctive foreign consumer preferences, the product requirements in the export market, and lack of support from the government were identified as a top challenges. The other challenges which were identified in the qualitative research include: culture and language difference, lack of working capital, inefficient production, increases in local demand, logistics and supply chain, competition, lack of institutions to support internationalization and the general business environment. The overall findings showed that company, product, export market, macro environment and industry related challenges all affect the internationalization activities of the Ethiopian SMEs.

2.12. Conceptual framework

Dunning's (1980, 1988, 1990, and 1995) eclectic theory is a transaction cost-based theory that seeks to explain the transfer, internationalization, and firm-specific ownership advantages. While multifaceted, eclectic theory suggests the importance of firm- and location-specific factors to explain international operations.

The Dunning's (1980) framework applied to form the model analysis for this study. The model consists of the firm-specific factors of firm size and competitive advantage as well as, the location-specific factor of market characteristics to assess improved international business performance (Javalgi et al., 2003).

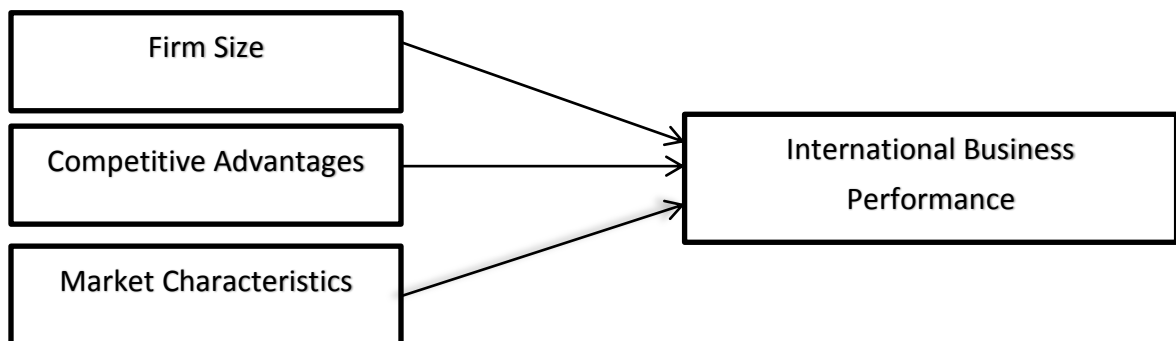


Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This chapter outlines the methodology that was employed in the collection of data and describes the research design, data collection methods, sampling techniques, method of data analysis and interpretation.

3.2. Research Approach

Research approaches are mechanisms of attaining research objectives. Research approaches are also adopted based on the feasibility of the selected approaches. The common research approaches are quantitative, qualitative and mixed research approaches.

Quantitative approach uses surveys of cross-sectional or longitudinal using self-administered semi structured questionnaires or structured interviews for data collection, with the intent of generalizing from a sample to a population (Babbie, 1990).

A qualitative research approach uses strategies inquiry including narratives, ethnographies, case studies, observations, interviews, and the results are communicated subjectively through descriptions using words rather than numbers (Creswell, 2003). Moreover Qualitative researchers tend to use open-ended questions so that Participants can express their views. Under this method contact with the field of research may be based on interviews, observations, or analysis of documents and other artifacts. In addition, literature studies are performed to the extent required to develop sensitivity in observation and interpretation (Atkinson and Hammersley, 1994).

Finally, a mixed methods approach is one in which the researcher tends to base knowledge claims on pragmatic grounds (e.g., consequence-oriented, problem-centered, and pluralistic). It employs strategies of inquiry that involve collecting data either simultaneously or sequentially to best understand research problem (Creswell, 2009).

The study adopted quantitative approach. Quantitative method is a means for testing objective theories by examining the relationship among variables. Data collected is number and statistics

(Creswell, 2003). The data is based on precise measurements and the final report is statistical report with correlations, comparisons of means and statistical significance of the findings. The purpose of survey research is to generalize from the sample to the population so that inferences can be made about some characteristic, attitude or behavior of the population.

3.3 Research Design

The choice of research design depends on objectives that the researcher wants to achieve (John, 2007). As can be seen from the research problem it is more of explanatory type and tries to identify factors that influence the internationalization of export firms found in Addis Ababa City. As noted by Kothari (2004), explanatory research design examines the cause and effect relationships between dependent and independent variables. Therefore, since the study was examined to identify factors that influence the internationalization of export firms, it is an explanatory research.

3.4 Sources of Data and Instruments of Data Collection

It is important to choose the suitable data collection method in order to enable us to answer our research questions. The type of data collection method is a great value to interpret them properly. For possible achievement of the objective of the paper the researcher used primary data.

A primary source of data is preferred as per the nature of the two variables, the study need to have the raw data to have understanding on the perception of the designated party's perception on the research area. The primary data was gathered from the owner, general manager of the company, import & export manager and trade officers from randomly selected companies.

3.5 Survey Instrument

The types of instruments used to collect the data were through close ended questionnaire. The format of the questionnaire for independent variables were 5 point scale from strongly agree to strongly disagree to categorize the respondents level of agreement on the mentioned statements.

The measure of international entry decisions used on the survey were collected from various authors and elucidated here below.

Description of Factors	International Decision	Author
The higher my company's working capital, the higher the willingness to expand to foreign countries	Firm Size	Brouthers and Hennart, 2007; Javalgi et al., 2003
The level of technological advancement influences international exposure of my company		Palenzuela & Bobillo, 1999; Javalgi et al., 2003
Increase in the value and number of employee encourages the decision to expand to other countries		Brouthers & Brouthers, 2003; Brouthers et al., 2003
High market potential influences international presence		Brouthers, 2002
The higher my company's international experience, the higher the urge to expand internationally	Competitive Advantage	Zhao et al., 2004; Gomes Casseres, 1989
Increasing length and scope of my company's international experience encourages further international investment		Brouthers and Hennart, 2007
Possession of a country-specific experience induces setting up international presence in the target country		Zhao et al., 2004; Gomes Casseres, 1989
Possession of unique proprietary technology, tacit know-how, and firm reputation/ image induces our companies propensity to expand to foreign countries		Ekeledo and Sivakumar (2004)
The reputation of our company in the industry encourages international operations	Ekeledo and Sivakumar (2004)	
Acceptability and adaptability of our products in a foreign country/ culture encourages international presence in that country	Market Characteristics	Brouthers, 2002; Brouthers & Brouthers, 2003
Favorable government policies, like low trade barriers, in the host and home countries influences decisions to increase international investments		Brouthers, 2002; Brouthers et al., 2003
Price stability, controlled inflation and favorable monetary policies in a host nation induces my company's foreign exposure in the host country		Brouthers, 2002
Complementary and receptive host nation's organizational structures, processes and administrative conveniences encourages increased foreign commitment of our company		Brouthers, 2002
The level, pattern and government regulation of competition in the host nation influences our company's foreign commitment.	Brouthers, 2002; Brouthers & Brouthers, 2003	
The foreign sales targets as a percentage of total sales are met by the organization	International Business Performance	Javalgi et al., 2003
The existing level of international performance is satisfactory to the Management		Javalgi et al., 2003
The company's long-term international performance is secured		Bontis et al. (2000)

Table 3.1 Survey Instrument Examination

The close ended questionnaires were developed in three sections. The first section focuses on the general aspect of the respondent and the second one is developed to specify level of agreement of the respondent to the statements concerning to critical decision factors that influence internationalization of firms and the last one is developed to measure international business performance of firms based on their perception.

3.6 Sampling Technique and Population

3.6.1 Target Population

The target population of the study was companies who are involved in international business found in Addis Ababa City. Therefore the total number of the target population was 1641 according to www.addisbiz.com.

3.6.2 Sampling Technique

According to Diamantopoulos (2004), a population is a group of items that a sample will be drawn from. A sample, on the other hand, refers to a set of individuals/companies/ selected from an identified population with the intent of generalizing the findings to the entire population. A sample is drawn as a result of constraints that make it difficult to cover the entire research population (Leedy and Ormord, 2005). Hence, sampling makes the study to become feasible.

The sampling technique applied for the study was probability sampling (simple random sampling) for selecting export companies and non-probability sampling (Purposive Sampling) for selecting respondents.

The researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Bernand 2002, Lewis & Sheppard 2006). The reason that the researcher applied to select the sample using purposive sampling was the respondents who used to participate in performing and managing the international trade activity of the firm were assumed to have to have thorough understanding on international business as well they were on middle and top level management positions.

3.6.3 Sample Size

Considering the total population of the study, the sample size of the study was determined using Taro Yamane's a simplified formula. As stated by Yamane for a 95% confidence level and $p=0.5$ the size of the sample would be:

$$n = \frac{N}{1+N(e)^2}$$

Where, N = Total Population

e = Precision Level

n = Sample Size, Where confidence level is 95%.

$$\text{Sample size} = \frac{1,641}{1+1,641(5\%)^2} = 322 \text{ Observations}$$

3.7 Methods of Data Analysis and Interpretation

The collected data from questionnaires were screened and coded for completeness and accuracy and the response on each item was put into specific themes in scientific way for easy analysis. In order to drawn meaningful conclusion, analyses were conducted through a descriptive statistics to describe the phenomenon that exists at the time of the study in the form of frequency distribution, standard deviation, and mean calculation.

Additionally, the study was used the multivariable regression analysis method to assess the cause and effect relationship between variables. The Pearson correlation method was used to know the relationship between independent variables and dependent variables. To change the collected data into useful information the analysis was helped by a statistical package for social science (SPSS version 24).

3.8 Model Formulation and Specification

The researcher examined perceived international business performance measure of exporters in Addis Ababa city using multiple linear regression models. Multiple regression indicates how much of the variations in the dependent variable can be explained by independent variables. It also indicates the relative importance of each independent variable. The independent variables are transaction cost based induced entry decision, resource based induced entry decision and institutional based induced entry decision. As a result, the multiple regression model equation is:

$$\text{Model as } IBP = \beta_0 + \beta_1FS + \beta_2CA + \beta_3MC + \varepsilon$$

Where: IBP = International Business Performance

β_0 = Constant

β_1 to β_3 = Slope

FS = Firm Size

CA = Competitive Advantages

MC = Market Characteristics

ε = Standard Error

3.9 Reliability of the Study

Alpha reliability is regarded as the measure of internal consistency of the mean of the items at the time of administration of questionnaire. Cronbach's alpha is a reliability coefficient that indicates how well the items in the set are positively related to one another (Kothari, 2004).

Two frequently used indicators of a scale's reliability are test-retest reliability (also referred to as 'temporal stability') and internal consistency (Pallant, 2016). In this study to check the internal consistency of selected perceived international business performance measure determinant variables, a pilot test was undertaken. George and Mallery (2003) stated that a reliability score of greater than 0.9 is excellent, greater than 0.8 is good, greater than 0.7 is acceptable, greater than 0.6 questionable, greater than 0.5 is poor and less than 0.5 is unacceptable.

The below table depicts reliability of the survey questionnaire using Cronbach's alpha. As it is indicated in the result the reliability of the questionnaire is acceptable.

Table 3.2: Reliability Test

Variables	No. of Items	Cronbach's Alpha	Internal Consistency
<i>Independent Variables</i>			
Firm Size	8	.856	Excellent
Competitive Advantages	5	.704	Acceptable
Market Characteristics	5	.781	Acceptable
<i>Dependent Variable</i>			
International Business Performance	3	.760	Acceptable

Source: SPSS output from survey data and own computation, 2021

3.10 Validity of the Study

According to Kumar (2011) cited ` validity is defined as the degree to which the researcher has measured what he has set out to measure`. He also mentioned there are three types of validity measurement in quantitative research such as face and content validity, concurrent and predictive validity, and construct validity. This study was used the face validity method because it is easy to see the logical link between the questions and the objectives of the study. So based on the research advisor's response, the instrument applied in this study can represent the research problem.

3.11 Ethical Consideration

In this research study, areas relating to the ethical conduct of research such as informed consent, confidentiality, privacy, and anonymity have been maintained. According to Saunders et al., (2009), The norms or standards of behavior that guide moral decisions about our behavior and relationships with others are referred to as ethical norms or standards of behavior. Participants and respondents were provided with detailed information about the study's purpose and objectives so that they could make an informed decision about whether or not to participate. Moreover, all information regarding the uniqueness and personality of respondents was preserved with extreme confidentiality. Additionally, all information gathered was used for the sole purpose of this research study.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF RESULTS

Introduction

The purpose of this chapter is to present results of the analysis and the findings using descriptive and inferential statistics. The data collected from survey questionnaire were carefully coded and checked for consistency and entered into the SPSS spreadsheet, performed with SPSS ver. 24.

This section has two subsections: the descriptive part and the inferential section. The descriptive has presented findings related to the overall demographic variables of respondents and the independent and dependent variables in the study area. The second section which is model output considers multiple linear regressions. The regression model was used to analyze the data collected and to test the effect of the independent variables on the dependent variable. Multiple regression analysis is employed to test whether one or more independent variables (predictors) influence the dependent variable (outcome variable) and to identify whether the effect is positive or negative.

4.1. Survey Results

The total sample of the study was 1631, out of the 322 questionnaires distributed, 291 were returned and 4 were rejected because of poor data quality. 287 questionnaires were valid with sufficient amount of response rate of 89.13%.

Babbie (1990) suggests that response rate of 50% is adequate, 60% is good, and 70% or above is very good. Therefore, as per Babbie the response rate in this research was very good.

$$\begin{aligned} \text{Response Rate} &= \text{Number of Surveys Completed} / \text{Number of People Contacted} \\ &= 287/322 \times 100 \\ &= \mathbf{89.13\%} \end{aligned}$$

4.2. Demographic characteristics of respondents

Table 4.1 Demographic characteristics of respondents

Items	Category	Frequency	Percentage
Type of Business Sector Involved	Coffee Exporter	31	10.8
	Pulses, oilseeds and spices	76	26.5
	Vegetable and Fruit Exporter	13	4.5
	Flower Exporter	11	3.8
	Tanners, Foot wear & Leather Products Exporter	18	6.3
	Natural Forest and Forest Products Exporter	29	10.1
	Agricultural Related Companies Which Have Export	11	3.8
	Cotton Exporter	-	
	Meat Exporter	11	3.8
	Live Animal Exporter	17	5.9
	Textile and Garment Exporter	14	4.8
	Other	56	19.6
Type of Business	Sole Proprietorship	26	9.1
	Private Limited Company	201	69.4
	Share Company	48	16.7
	Corporation	8	2.8
	SMEs	4	1.4
	Others	-	-
Position in the Company	Owner	24	8.4
	General Manager	71	24.7
	Import/Export Manager	116	40.4
	Finance Manager	56	19.5
	Import/Export Officer	20	7.0
Experience in the Business	Less than One Year	7	2.4
	1-5 Years	31	10.8
	6-10 Years	157	54.7
	11-15 Years	69	24.0
	Above 15 Years	23	8.0
Level of Education	Diploma	34	11.8
	Bachelor's Degree	197	68.6
	Master's Degree	53	18.5
	PhD or Higher	3	1.0

Source: own computation, 2021

As per the result obtained from the survey data, majority of the respondents were exporters of pulses, oilseeds and spices with a total of 76(26.5%), 31(10.8%) were coffee exporters, 29(10.1%) were natural forest and forest products exporters and 18(6.3%) were tanners, foot wear & leather products exporters. Followed by live animals exporters, textile and garment exporter, vegetable and fruit exporters with a total of 17(5.9%), 14(4.8%) and 13(4.5%) respectively. Respondents involved in export business of flower, agricultural related companies which have Export and meat exporters were all with a total of 11(3.8%). The remaining 56(19.6%) of exporters were involved in exporter business which are not mentioned in the list.

Concerning type of business ownership of respondents, most of the respondents were sole proprietorship with a total of 201(69.4%), 48(16.7%) were share companies, 26(9.1%) were sole proprietorship, 8(2.8%) were corporations and 4(1.4%) of the respondents were small and medium enterprises.

Regarding respondents position they have in the company, import/export managers were 116(40.4%) followed by general managers with 71(24.7%). Followed by finance manager with 56(19.5%) respondents, and then owner of the companies were 24(8.4%) and import/export officers were 20(7%). This shows that the respondents were in a position to provide an incredibly considerable evaluation about the decision factors that initiate them to involve in international market.

In terms of respondents experience in the business 7(2.4%) were having below one year experience. 31(10.8%) of the respondents have had from 1-5 years' experience, 157(54.7%) were having 6-10 years of experience. Respondents having from 11-15 years and above 15 years' experience in the industry were 69(24%) and 23(8%) respectively. This demonstrates that the respondents have had ample express that makes the study relevant and reliable.

With respect to respondents educational background, 3 (1%) were Doctor of Philosophy (Ph.D.) holders, 53 (18.5%) and 197(68.6%) of them were master's degree and first degree holders. Whereas, 34 (11.8%) were which have college diploma. This shows that more than 64 percent of borrowers are not literate as adequate. Borrowers who are more literate that have had above first degree were defaulted only about 35 percent. This indicates that the respondents were enough literate to make substantial decision also makes the study reliable too.

4.3 Descriptive Analysis

While making interpretation of the results of the means and standard deviations, the scales were reassigned as follows to make the interpretation easy (Al-Sayaad et al. 2006).

Table 4.2: Likert's-scaled criteria

No.	Range	Response Option
1	1.00-1.80	Strongly Disagree
2	1.81-2.60	Disagree
3	2.61-3.40	Neutral
4	3.41-4.20	Agree
5	4.21-5.00	Strongly Agree

4.3.1. Descriptive Stats for the variable Firm Size

The below table shows the descriptive analysis (mean and standard deviation) of the respondents' level of agreement on the variable 'firms size'. The statement 'High market potential influences international presence' had the highest mean and S.D of 4.25 and 1.03 respectively, indicating respondents' agreement to the statement.

This is followed by the statement 'The level of technological advancement influences international exposure of my company' with a mean of 4.20 and a standard deviation of 1.01. These figures indicate respondents' agreement to the statement. The statement 'the higher my company's working capital, the higher the willingness to expand to foreign countries' having mean and standard deviation of (3.20, 1.34) indicates the respondents are on the fence to decide about the statement. Finally, regarding the statement 'increase in the value and number of employee encourages the decision to expand to other countries' respondents showed their disagreement having mean and standard deviation of (2.29, 1.06). Overall, transaction cost based induced entry decisions having four items used in assessing it has a mean of 3.33 and a standard deviation of 0.99.

Table 4.3: Descriptive stats for Firm Size

Variables	N	Min.	Max.	Mean	Standard Deviation
Firm Size					
Increase in the value and number of employee encourages the decision to expand to other countries	287	1	5	2.29	1.062
The level of technological advancement influences international exposure of my company	287	1	5	4.20	1.017
The higher my company's working capital, the higher the willingness to expand to foreign countries	287	1	5	3.20	1.345
High market potential influences international presence	287	1	5	4.25	1.038

Source: SPSS output from survey data and own computation, 2021

4.3.2. Descriptive Stats on variable Competitive Advantage

The result indicates that the statement ‘increasing length and scope of the company’s international experience encourages further international investment’ with mean and standard deviation of (3.60, 1.45) leads to respondents agreement with the statement. Followed by the statement ‘Possession of a country-specific experience induces setting up international presence in the target country and Possession of unique proprietary technology, tacit know-how, and firm reputation induces our company’s propensity to expand to foreign countries’ having mean and standard deviation (3.49, 1.48) and (3.49, 1.51) respectively which describes an agreement.

On the other hand, respondents with a mean and standard deviation of (3.48, 1.49) agreed with the statement that refers when the company international experience going advanced, the higher the urge to expand internationally.

Lastly, the statement ‘the reputation of our company in the industry encourages international operations’ with mean and standard deviation of (3.29, and 1.45) tends to respondents agreement to the statement. In general, competitive advantage of firms assessed using five statements has a mean of 3.47 and a standard deviation of 1.00.

Table 4.4: Descriptive stats for competitive advantage

Variable	N	Min.	Max.	Mean	Standard Deviation
Competitive Advantage					
The higher my company's international experience, the higher the urge to expand internationally	287	1	5	3.48	1.491
Increasing length and scope of my company's international experience encourages further international investment	287	1	5	3.60	1.452
Possession of a country-specific experience induces setting up international presence in the target country	287	1	5	3.49	1.481
Possession of unique proprietary technology, tacit know-how, and firm reputation induces our companies propensity to expand to foreign countries	287	1	5	3.49	1.519
The reputation of our company in the industry encourages international operations	287	1	5	3.29	1.447

Source: SPSS output from survey data and own computation, 2021

4.3.3. Descriptive Stats on Market Characteristics

Table 4.5: Descriptive stats on market characteristics

Variable	N	Min.	Max.	Mean	Standard Deviation
Market Characteristics					
Acceptability and adaptability of our products in a foreign country/ culture encourages international presence in that country	287	1	5	2.84	1.375
Favorable government policy in the host and home countries influences decisions to increase international investments	287	1	5	3.65	1.077
Price stability, controlled inflation and favorable monetary policies in a host nation induces my company's foreign exposure in the host country	287	1	5	3.69	1.139
Complementary and receptive host nation's organizational structures, processes and administrative conveniences encourages increased foreign commitment of our company	287	1	5	3.44	1.456
The level, pattern and government regulation of competition in the host nation influences our company's foreign commitment.	287	1	5	3.55	1.447

Source: SPSS output from survey data and own computation, 2021

Table 4.5 shows the descriptive stats obtained from respondents regarding institutional based induced entry decision which was analyzed using 5 items. The statement ‘Price stability, controlled inflation and favorable monetary policies in a host nation induce my company’s foreign exposure in the host country’ had the highest mean and S.D of 3.69 and 1.13 respectively. The researcher observed from these statistics that the respondents agree with the statement. This is followed by the statement ‘Favorable government policy in the host and home countries influences decisions to increase international investments’ which has a mean of 3.65 and a standard deviation of 1.07, indicating that the response of the respondents is in agreement of the statement. Following that is the statement ‘The level, pattern and government regulation of competition in the host nation influences our company’s foreign commitment’ with a mean of 3.55 and S.D of 1.44, which indicates agreement with the statement. The next highest statement after that is ‘Complementary and receptive host nation’s organizational structures, processes and administrative conveniences encourages increased foreign commitment of our company’ with a mean of 3.44 which tells the researcher that the response of respondents tends towards agreement of the statement and S.D of 1.44.

And lastly is the statement ‘Acceptability and adaptability of our products in a foreign country/ culture encourages international presence in that country’ which has a mean of 2.84 and a standard deviation of 1.375, indicating that undecided response from the respondents. Totally, the variable market characteristics were assessed with five items, has a mean of 3.43 and a standard deviation of 0.95.

4.3.4. Descriptive Stats on Perceived International Business Performance

Table 4.6: Descriptive stats on perceived international business performance

Variables	N	Min.	Max.	Mean	Standard Deviation
Perceived International Business Performance Measures					
The foreign sales targets as a percentage of total sales are met by the organization	287	1	5	4.06	1.213
The existing level of international performance is satisfactory to the Management	287	1	5	3.53	1.394
The company’s long-term international performance is secured	287	1	5	3.77	1.281

Source: SPSS output from survey data and own computation, 2021

Table 4.6 describes the results of the analysis of perceived international business performance. The statement ‘the foreign sales targets as a percentage of total sales are met by the organization’ was rated well above the average with a mean of 4.06 and a standard deviation of 1.21, indicating agreement to the statement. Regarding the company’s long-term performance is secured or not, the result shows respondents agreement having a mean 3.77 and standard deviation of 1.28. Whether the existing level of international performance was satisfactory to the management or not was rated with a mean of 3.53 and S.D of 1.39. The researcher observed that the respondents’ response tends towards agreement to the statement. Overall, perceived international business performance measures having three items used in assessing has a mean of 3.10 and a standard deviation of 1.04.

4.4. Inferential Analysis

Inferential analysis is concerned with the various tests of significance for testing research questions in order to determine with what validity data can be said to indicate some conclusion or conclusions. It is also concerned with the estimation of population values (Kothari, 2004). Pearson correlation and multiple linear regressions are the main inferential methods employed in this study to analyze the relationship between independent variable and dependent variable.

4.4.1. Pearson Correlation Analysis

The results of the bivariate correlation based on Pearson’s correlation statistics in the below table shows that all independent variables are related and statistically significant at a significance level of 0.01 suggesting the strong relationship between the independent variables and international business performance.

Market characteristics had a significant and high positive correlation with international business performance, $r(287) = 0.703$, $p < 0.05$. The next variable with a high and positive correlation coefficient, $r(287) = 0.650$, $p < 0.05$ is competitive advantages of firms. This implies that the magnitude of the correlation, the relationship of market characteristics and competitive advantage of firms with international business performance is high with a positive significance.

Firm size, $r(287) = 0.630$, $p < 0.05$ is found to be the variable with a high and positive correlation coefficient next to market characteristics and competitive advantage.

Generally Abdulla (2009) cited commonly used guideline ($r = 0.1-0.29$: small effect, $r = 0.3-0.49$: moderate effect, $r > 0.5$: large effect) all independent variables correlation coefficient in this study implies large effect on the constant variable.

Table 4.7: Pearson correlation analysis

Correlations

		BP	TCBIED	IBIED	RBIED
Business Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	287			
Firm Size	Pearson Correlation	.630**	1		
	Sig. (2-tailed)	.000			
	N	287	287		
Competitive Advantages	Pearson Correlation	.650**	.750**	1	
	Sig. (2-tailed)	.000	.000		
	N	287	287	287	
Market Characteristics	Pearson Correlation	.703**	.441**	.431**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	287	287	287	

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

(Source: Own survey, 2021)

4.5. Diagnostic Analysis

4.5.1. Autocorrelation Test

Based on the Durbin-Watson test for independence (Durbin & Watson, 1951) the value of the required statistics should be 1.5 to 2.5 to be reflected non-autocorrelation. Therefore looking at the table (4.9) the model summaries below have values 1.792. This indicated that the assumption of autocorrelation is not violated.

4.5.2. Multicollinearity Test

According to Abdulla (2009) cited multicollinearity refers to which two or more independent variables are very closely correlated. He also states that if the correlation coefficient is greater than 0.9 between predictor variables implies there is a cause for concern. Additionally, if there is the largest variance inflation factors (VIF) value which is just the inverse of the

Tolerance value (1 divided by Tolerance). VIF values above 10 would be a concern here, indicating multicollinearity. On the other way Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model. If this value is very small (less than .10) it indicates that the multiple correlations with other variables are high, suggesting the possibility of multicollinearity (Pallant, 2016). In this study the correlation coefficient between independent variables (PB, WE, PO, RWS, TL) have not more than 0.9, all of the independent variables were found to have a tolerance of more than 0.1 and a VIF value of less than 10, which indicates that the assumption of Multicollinearity is not violated, see table (4.8) below.

Table 4.8: Collinearity statistics

	Tolerance	VIF
Constant		
FS	.416	2.405
CA	.697	1.435
MC	.416	2.402

(Source: Own survey, 2021)

4.5.3. Linearity test

The other classical linear regression models assumptions is the error term should be linear to expected value of the error term. As it is shown in the figure below, the P-P plot of residuals reveals no large deviation in the spread of the residuals that almost all residuals lay on the linear straight line. Therefore, this indicates that the relationship between the independent variables and the dependent variable is linear.

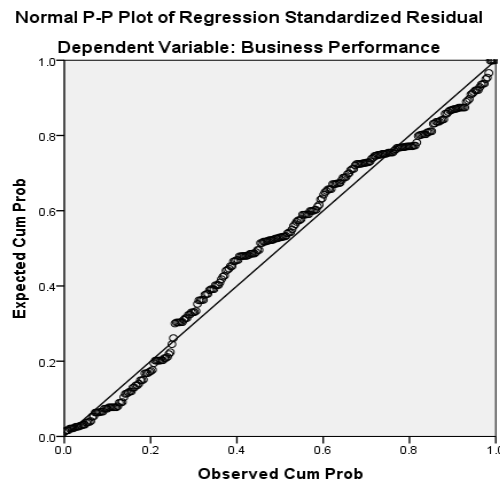
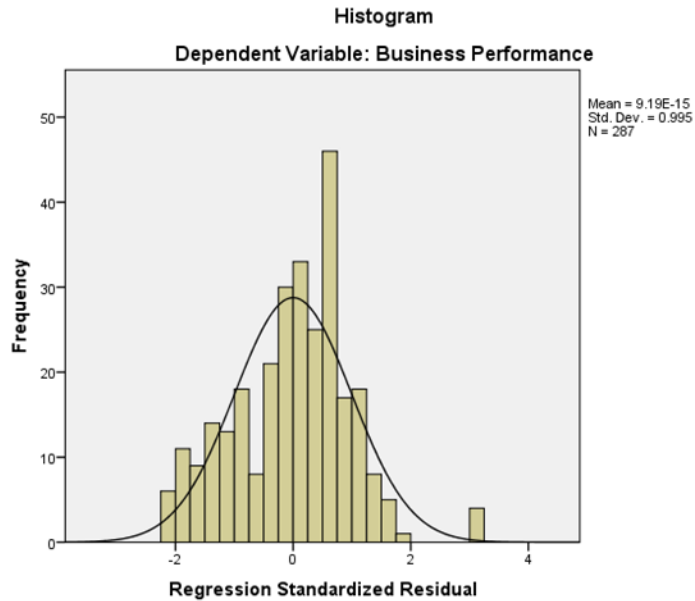


Figure 4.1: Test of linearity
(Source: Own survey, 2021)

4.5.4. Normality Test

As depicted in figure below, the bell shaped histogram shows that scores lay in the center of the distribution. The standard residuals are not far away from normality curve that indicate residuals are closer to normality curve. The largest bars on the histogram are all around the central value.



Therefore, this indicates that the residuals are normally distributed.

Figure 4.2: Normality Tests of Residuals

(Source: Own survey, 2021)

4.5.5. Homoscedasticity test

Homoscedasticity is the variance of the residuals about predicted dependent variable scores should be the same for all predicted scores. That means the test was conducted to see a situation in which the error term is the same across all values of the independent variables. Therefore the assumption of homoscedasticity is not violated as seen below figure.

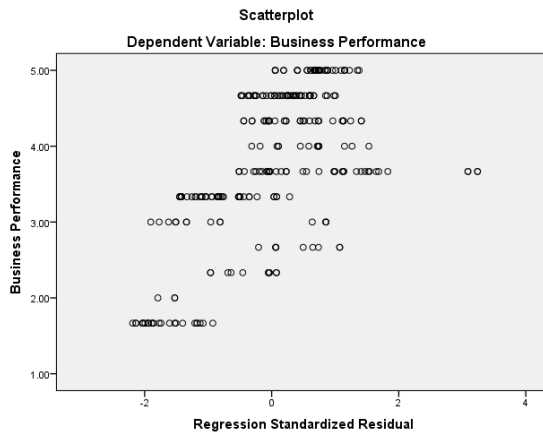


Figure 4.3: Scatter plot for testing homoscedasticity

(Source: Own survey, 2021)

4.6. Multiple Linear Regression Analysis Result

As we observe from the below table, The R value indicates the quality of the prediction of the dependent variable. The value 0.825 indicates a good level of prediction and the cumulative coefficient of the independent variables is strong.

R-squared evaluates the scatter of the data points around the fitted regression line. It is also called the coefficient of determination, or the coefficient of multiple determinations for multiple regressions. For the same data set, higher R-squared values represent smaller differences between the observed data and the fitted values. The value 0.680 shows that our independent variables explain 68% of the variability of international business performance was explained by independent variables included in the model. The remaining 32% of the variations shown are caused by factors other than the predictors included in the model.

Furthermore, to accurately report the data interpretation of adjusted R square is another important factor. High difference between the values of R-square and adjusted R square indicates a poor fit of the model. A value of 0.677 indicates that 67.7% of variation in the outcome variable is explained by the predictors which are to keep in the model. The standard error is a measure of the precision of the model and it is an important indicator of how precise an estimate of the population parameter the sample statistic is. On average, our estimates of international business performance with this model will be wrong by 0.4869.

Table 4.9: Model Summary Table

Model Summary					Durbin-Watson
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.825 ^a	.680	.677	.4869	1.792

a. Predictors: (Constant), Resource Based Induced Entry Decision, Institutional Based Induced Entry Decision, Transaction Cost Based Induced Entry Decision

b. Dependent Variable: Business Performance

(Source: Own survey, 2021)

Table 4.10: ANOVA model fit

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	197.450	3	65.817	200.424	.000 ^b
	Residual	92.934	283	.328		
	Total	290.384	286			

a. Dependent Variable: Business Performance

b. Predictors: (Constant), Resource Based Induced Entry Decision, Institutional Based Induced Entry Decision, Transaction Cost Based Induced Entry Decision

(Source: Own survey, 2021)

The above table shows that the significance value of F statistics value is (.000), which is the p-value is less than 0.05, thus the model is significant.

Regression Coefficients of Variables

Table 4. 11: Coefficients

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.268	.147		1.816	.070
	Firm Size	.160	.052	.158	3.090	.002
	Competitive Advantages	.413	.055	.391	7.522	.000
	Market Characteristics	.452	.038	.448	11.934	.000

a. Dependent Variable : Business Performance

(Source: Own survey, 2021)

The above multiple linear regression coefficient results table indicated that all independent variables (firm size, competitive advantages and market characteristics) have positive and statistically significant effect on the international business performance at 5% level of significance.

The standardize value of Beta Coefficient in the above table indicates, the contribution of each predictor on dependent variable. The test will be significant if the p-value is less than 5%. The beta coefficient is used to determine which independent variables have the most influence on the dependent variable. As shown above, standardized coefficient for market characteristics is high. This indicates that market characteristics have high impact (44.8%) than other predictors mentioned. When the coefficient is larger, shows the higher importance of the predictor as well as higher contribution of the factors to international business performance. Following variable having secondary effect on international business performance was competitive advantages with value of 39.1 percent. Besides, the firm size is found to be the other variable predicting the performance of international business by offering 15.8 percent.

Unstandardized coefficients indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant. The regression coefficient provides the expected change in the dependent variable for a one-unit increase in the independent variable. Hence, the beta coefficients found in the regression are interpreted as below.

- ✚ Constant value 0.268 indicates that all other independent variables (firm size, competitive advantages and market characteristics) remaining constant the dependent variable (International business performance) has a rate of 26.8 % of international business performance.

- ✚ The beta coefficient value of firm size has ($\beta = 0.160$, $p < 0.05$), indicates keeping other independent variables constant, 1 unit change in firm size will cause 16% positive increase in performance of international business activity.

Hence, the alternative hypothesis (H1) that firm size has positive relationship with international business performance was accepted.

- ✚ The competitive advantage having beta coefficient value of ($\beta = 0.413$, $p < 0.05$) and statistically significant, shows that keeping other independent variables constant, 1 unit

change in competitive advantage of firms will cause 41.3% increment in international business performance activity.

So, the alternative hypothesis (H1) that competitive advantage has positive relationship with international business performance was accepted.

✚ The market characteristics, according to the results has beta coefficient value of 0.452 ($p < 0.05$) besides which was statistically significant indicates that by keeping other independent variables constant, 1 unit change in market characteristics will cause 45.2% increase in performance of international business activity.

Hence, the alternative hypothesis (H1) that a market characteristic has positive relationship with international business performance was accepted.

Accordingly the following regression model was stated.

$$\text{Model: } IBP = \beta_0 + \beta_1 FS + \beta_2 CA + \beta_3 MC + \varepsilon$$
$$IBP = .268 + .160FS + .413CA + .452MC + \varepsilon$$

Where: IBP = International Business Performance

β_0 = Constant

β_1 to β_3 = Slope

FS = Firm Size

CA = Competitive Advantages

MC = Market Characteristics

ε = Standard Error

4.7 Discussion on the Findings

This section discusses in detail the examination for each explanatory variable and their importance in influencing internationalization of export firms and important findings in comparison to previous research results.

Firm Size and Internationalization

As discussed in literature review operationalization of firm size internationalization decision was based on financial assets and human capital availability. A perceptual measure of asset-specific

investments that include technology asset specificity (Palenzuela and Bobillo, 1999) and human asset specificity (Brouthers and Brouthers, 2003; Brouthers et al., 2003) was studied. This is on the evidence that financial and human capital reduces a firm's risk of failure in international expansion (Javalgi et al., 2003).

Findings based on the survey revealed that firm size has a positive effect on improved international business performance. Based on the result, a positive and significant relationship obtained between firm size and internationalization. As a result the alternate hypothesis is accepted. The result obtained was found to be consistent with the finding of the previous study conducted by Olawumi Dele (2013), Ekeledo & Sivakumar (2004) and Vida et al. (2000) which indicated firm size influences internationalization also it is in parallel with the finding of Manolova et al (2010) and (Ruzzier & Ruzzier, 2014, which articulates positive and significant relationship between firm size and improved international business performance. The findings contradict the study by Aguilera et al. (2011) since they show that the size do not influence internationalization because it is a strategic option.

Competitive Advantages and Internationalization

Competitive advantages were operationalized using a company's possession of unique resources and distinctive skills (Javalgi et al., 2003; Williamson, 1985). This was based on Zhao et al. (2004) suggestion that these advantages translates directly into superior market and financial performance (Brouthers, 2002; Brouthers and Brouthers, 2003; Brouthers et al., 2003; Luo, 2001). Having or possessing advantages over competitors in terms of unique resources and distinctive skills allows firms to exploit these advantages in the open market and realize greater profits than would otherwise be attainable (Dunning, 1980).

The study indicated positive and significant effects of competitive advantage of firms on improved international business performance. Subsequently, the alternate hypothesis which articulates that competitive advantage has positive relationship with improved international business performance was accepted. The result obtained was found to be parallel with the conclusion made by Miller and Parkhe (1998); Palenzuela and Bobillo (1999); Javalgi et al. (2003) and Olawumi (2013).

Market Characteristics and Internationalization

Market characteristics of concern to managers include host government regulations and/or restraints on market entry, prohibition or limitation of foreign ownership, local content requirements, and financial and fiscal controls (Czinkota and Ronkainen, 1990). According to Brouthers and Hennart (2007) market characteristics propose that a country's environment affects firm internationalization decisions, because the environment reflects the "rules of the game" by which firms participate in a given market. Hence, market characteristic induced decision was operationalized using Brouthers et al. (2002) and Javalgi et al. (2003) trade restrictions- tariff and non-tariff trade barriers.

The finding of the study showed positive and statistically significant relationship of market characteristics and international business performance of firms'. Consequently, the alternate hypothesis which states market characteristic has positive relationship with international business performance was accepted. This finding was in parallel with the finding of Olawumi (2012), Zhao et al. (2004), Asika (2006) and Palenzuela and Bobillo (1999) that disclosed significant positive relationship between location specific factor; market characteristics and improved international business performance.

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Major Findings

The broad objective of this research was to investigate the effect of internationalization decision on perceived international business performance of export firms found in Addis Ababa city in randomly selected 322 export companies. To achieve this broad objective, the study used quantitative methods research approach. The researcher used primary data for possible achievement of the objective of the paper. Also, close ended questionnaire were used to collect the data.

To this end, the collected data from respondents' were analyzed using SPSS ver. 24. Explanatory statistics was employed to analyze data and the results were tested with non-parametric tests of significance. Besides, measures of central tendency (mean, standard deviation) also were used to analyze the questionnaire survey result.

Accordingly, in this study, three independent variables (i.e. firm size, competitive advantages and market characteristics) and one independent variable (international business performance) were included. The regression analysis was made in line with the specific research questions and stated hypotheses formulated in the study. In doing so, previous studies on factors influencing internationalization have been reviewed and as per the literature factors influencing internationalization were expressed as a function of firm size, competitive advantages and market characteristics.

Findings based on the survey revealed that firm size has a positive relation with internationalization. Influential factors for internationalization of export firms were increase in the value and number of employees and high market potential of the host country. In the meantime, competitive advantage has also positive and statistically significant relation with improved international business performance. Critical factors for international presence of the companies were possession of unique proprietary technology and the reputation of their companies in the industry. Lastly, positive and significant relationship obtained between market

characteristics and internationalization. Critical influential factor for internationalization of firms was host countries that have complementary and receptive organizational structures, processes and administrative conveniences.

5.2 Conclusion

The main objectives of the research were to identify critical factors for internationalization of export firms found in Addis Ababa City, on international business performance measures. The study indicates that from 322 sample sizes 287 of them respond to the survey questionnaire. This result makes the response rate 89.13% which was sufficient for analysis and reporting. The regression output $R = 0.825$ indicated there was a high correlation between independent variables (firm size, competitive advantages and market characteristics based entry decisions and dependent variable (international business performance). The value $R^2 = 0.680$ showed our independent variables explain 68% of the variability of international business performance measures was explained by independent variables included in the model indicated good fit of the model. Besides, the F-ratio $F(3,283) = 200.42$, $p(0.000) < .05$ in the ANOVA indicated the overall regression model was a good fit for the data.

Generally, based on the finding it can be concluded that firm size, competitive advantages and market characteristics based entry decisions had statistically strong positive and significant effect on improved international business performance.

5.3 Recommendations

To enhance their competitive position in the global market place, Ethiopian export firms should prioritize their efforts to expand internationally. Accordingly, based on the findings of the study the following recommendations may have been forwarded:

- Export firms shall increase the value and number of employees to be encouraged to expand to foreign countries.
- Another key recommendations emanating from this study is that export firms shall concentrate on host countries that have high market potential while deciding presence on international activity.

- Possession of unique proprietary technology shall be increased to influence international exposure of a company.
- Export firms shall increase the reputation of their companies in the industry to be encouraged in international operation.
- Export firms should focus on host countries that have complementary and receptive organizational structures, processes and administrative conveniences to influence international exposure of a company.

5.4. Future Research Directions

Based on the scope, limitations and the findings of this study, the following areas of future research are highlighted.

This research was limited to only assessing the effect of internationalization decision on international business performance of export firms found in Addis Ababa city. Hence, it did not include international firms involved other than exports.

Therefore, it would be better for future if:

- Other companies involved in service sectors to be included
- The researchers would include all existing companies in international operations to be deployed nationwide.

Reference

- Abdurehaman, A. (2012). The Dynamics of Internationalization of Ethiopian Leather Industry Development Institute. *The Dynamics of Internationalization of Ethiopian Leather Industry Development Institute (ELIDI): With Special Reference to Leather Industry Development Institute*.
- Aguilera, J., Escudero, M., Hurtado, N., & Vidal, M. (2011). The influence of international diversification and international experience on the firms' proactive environmental strategy.
- Akimana, V. (2017). Internal and external factors affecting exporting smes in Rwanda. *Frontiers in African Business Research*, 37–58.
- Alubel Kassaw. (2017). Assessment of Factors Influence Entry Mode Choice of Companies (Foreign Companies in Ethiopia). *European Journal of Business and Management*.
- Al-Sayaad, J., Rabea, & A., Samrah. (2006). *Statistics for Economics and Administration Studies*.
- Anderson D. R., & Coughlan, G. (1987). *Statistics for Business and Economics*.
- Anderson, & BA Weitz. (1986). *Make-or-Buy Decisions: Vertical Integration and Marketing Productivity*.
- Andersson, S. (2004). Internationalization in different industrial contexts. *Journal of Business Venturing*, 19(6), 851–875.
- Asika N. (2006). *Introduction to International Business, Lagos: Rothmed International Ltd*.
- Atkinson, P., & Hammersley, M. (1994). Ethnography and participant observation. In N. K. Denzin & Y .S. Lincoln (Eds.), *Handbook of qualitative research* (pp. 248–261). Thousand Oaks, CA: Sage.
- Awolusi, O. D. (2014). *Factors influencing the internationalization of Nigerian manufacturing firms: An empirical analysis. British Journal of Business and Management Research*.

- Babbie, E. (1990). *Survey Research Methods. 2nd Edition, Wadsworth, Belmont.*
- Bernard, H.R. (2002). *Research Methods in Anthropology: Qualitative and Quantitative Methods. 3rd Edition.*
- Bontis, N. (1998). Intellectual capital: An exploratory study that develops measures and models. *Management Decision, 36(2)*, 63–76.
- Bontis, N., Chua Chong Keow, W., & Richardson, S. (2000). Intellectual capital and business performance in Malaysian Industries. *Journal of Intellectual Capital, 1(1)*, 85–100.
- Brooks, C., (2008). *Introductory econometrics for finance. 2nd Edition, New York, Cambridge University Press.*
- Brouthers, K. D. (2002). Institutional, cultural and transaction cost influences on entry mode choice and performance. *Journal of International Business Studies, 33(2)*, 203–221.
- Brouthers, K. D., & Hennart, J.-F. (2007). Boundaries of the firm: Insights from International Entry Mode Research. *Journal of Management, 33(3)*, 395–425.
- Brouthers, K. D., Brouthers, L. E., & Werner, S. (2000). Influences on strategic decision-making in the Dutch financial services industry. *Journal of Management, 26(5)*, 863–883.
- Brouthers, K. D., Brouthers, L. E., & Werner, S. (2002). Industrial sector, perceived environmental uncertainty and entry mode strategy. *Journal of Business Research, 55(6)*, 495–507.
- Brouthers, K. D., Brouthers, L. E., & Werner, S. (2003). Transaction cost-enhanced entry mode choices and firm performance. *Strategic Management Journal, 24(12)*, 1239–1248.
- Brouthers, K. D., Brouthers, L. E., & Werner, S. (2003). Transaction cost-enhanced entry mode choices and firm performance. *Strategic Management Journal, 24(12)*, 1239–1248.
- Chen, Y.-H., Hsu, I.-C., & Lin, C.-C. (2010). Website attributes that increase consumer purchase intention: A conjoint analysis. *Journal of Business Research, 63(9-10)*, 1007–1014.

- Contractor et al. (2003). *'International Expansion Strategies'*, in *International Encyclopaedia of Business and Management*, International Thomson Business Press: London, (Forthcoming).
- Creswell, J. W. (2003). *Educational Research: Planning, Conducting, and Evaluating Quantitative and Qualitative Research*. Upper Saddle River, NJ: Pearson Education.
- Creswell, J. W. (2009). *Qualitative Inquiry and Research Design: Choosing among Five Approaches*.
- Crick, D. (2007). SMEs' barriers towards internationalization and assistance requirements in the UK: Differences between exporters and firms employing multiple modes of market entry. *Journal of Small Business & Entrepreneurship*, 20(3), 233–244.
- Czinkota, M. R., & Ronkainen, I. A. (1990). Global Business Linkages. *Journal of Business Research*, 18(3), 268.
- Czinkota, M. R. (2004). Foreword - Michael R. Czinkota. *Handbook of Research on International Entrepreneurship Strategy*.
- Dess, G. G., & Beard, D. W. (1984). Dimensions of organizational task environments. *Administrative Science Quarterly*, 29(1), 52.
- Deuer, G. B. (2013). *Factors That Influence the Internationalization Decision in Firms from Developing Market Context: Case of Bolivian Firms (Master's Thesis, Universities i Agder; University of Agder)*.
- Dunning, J. H. (1977). Trade, location of economic activity and the MNE: A search for an eclectic approach. *The International Allocation of Economic Activity*, 395–418.
- Dunning, J. (1979). *Explaining Changing Patterns of International Production*. *Oxford Bulletin of Economics and Statistics*.

- Dunning, J.H. (1980). *Toward an Eclectic Theory of International Production: Some Empirical Tests''*, *Journal of International Business Studies*, Vol. 11 No. 1.
- Dunning, J. H. (1988). The Eclectic Paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, 19(1), 1–31.
- Dunning, J. H. (1993). International Direct Investment Patterns. *The Global Race for Foreign Direct Investment*, 107–132.
- Dunning, J. H. (1995). Reappraising the eclectic paradigm in an age of alliance capitalism. *Journal of International Business Studies*, 26(3), 461–491.
- Dunning, J. H. (1999). The theory of international production. *The International Trade Journal*, 3(1), 21–66.
- Dunning, J. H. (2000). Globalization and the new geography of Foreign Direct Investment. *The Political Economy of Globalization*, 20–53.
- Dunning, J.H. (2001). The eclectic (OLI) paradigm of international production: Past, present and future. *International Business and the Eclectic Paradigm*, 34–52.
- Durbin, J., & Watson, G. S. (1951). Testing for serial correlation in least squares regression. II. *Biometrika*, 38(1/2), 159.
- Ekeledo, I., & Sivakumar, K. (2004). International market entry mode strategies of manufacturing firms and service firms. *International Marketing Review*, 21(1), 68–101.
- Ellis John & David Williams (1995) *International Business Strategy* London: Pitman. *Journal of the Australian and New Zealand Academy of Management*, 2(2), 62–63.
- Etemad, H. (2004). International Entrepreneurship as a dynamic adaptive system: Towards a grounded theory. *Journal of International Entrepreneurship*, 2(1/2), 5–59.
- George D and Mallery. (2003). *SPSS for Windows Step by Step: A Simple Guide and Reference. 11.0 Update (4th Ed.)*. Boston: Allyn & Bacon.

- Ghemawat, P. (2001). Reconceptualizing International Strategy and organization. *Strategic Organization*, 6(2), 195–206.
- Goerzen, A., & Beamish, P. W. (2003). Geographic Scope and multinational enterprise performance. *Strategic Management Journal*, 24(13), 1289–1306.
- Gomes, L., & Ramaswamy, K. (1999). An empirical examination of the form of the relationship between multinationality and performance. *Journal of International Business Studies*, 30(1), 173–187.
- Gomes-Casseres, B. (1989). Ownership structures of foreign subsidiaries. *Journal of Economic Behavior & Organization*, 11(1), 1–25.
- Hammersley, M., & Atkinson, P. (2019). Research design. *Ethnography*, 21–43.
- HAN, M. A. R. Y. (2007). Achieving superior internationalization through strategic ambidexterity. *Journal of Enterprising Culture*, 15(01), 43–77.
- Hennart, J.-F. (2007). The theoretical rationale for a multinationality-performance relationship. *Management International Review*, 47(3), 423–452.
- Hermansdottir, A. (2008). Theoretical underpinnings of the internationalization process. Institute of Business research.
- Hutchinson, K., Alexander, N., Quinn, B. and Doherty, A. (2007), “Internationalization motives and facilitating factors: qualitative evidence from smaller specialist retailers”, *Journal of International Marketing*, Vol. 15 No. 3
- Irungu, D. N., & Ndegwa, J. W. (2014). *Effects of Firm Resources on the Internationalization of Medium Sized Firms; Evidence from Kenya*.

- Javalgi, R. (R., Griffith, D. A., & Steven White, D. (2003). An empirical examination of factors influencing the internationalization of service firms. *Journal of Services Marketing*, 17(2), 185–201.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32.
- John George and Barton A Weitz. (1988). *Forward Integration into Distribution: An Empirical Test of Transaction Cost Analysis*, 4(2).
- John, L. (2007). Energy security in an age of globalization. *The SAGE Handbook of Globalization*, 869–884.
- Jones, M. V., & Coviello, N. E. (2005). Internationalisation: Conceptualising an entrepreneurial process of behaviour in time. *Journal of International Business Studies*, 36(3), 284–303.
- KANYAGIA WANGUI. (2019). *FACTORS INFLUENCING INTERNATIONALIZATION OF BRITAM HOLDINGS LIMITED*.
- Khong KW, Mahendiran N (2006). The effects of Customer Service Management on business performance in Malaysian Banking Industry: An empirical analysis. *Asia Pacific Journal of Marketing and Logistics*, 18(2), 111–128.
- Kim Chan, W., Hwang, P., & Burgers, W. P. (1989). Global diversification strategy and corporate profit performance. *Strategic Management Journal*, 10(1), 45–57.
- Kirca H. Ahmet , Satish Jayachandran, William O. Bearden. (2011). *Market Orientation: A Meta-Analytic Review and Assessment of Its Antecedents and Impact on Performance*.
- Korsakienė, R., Diskienė, D., & Smaliukienė, R. (2015). Institutional theory perspective and internationalization of firms. how institutional context influences internationalization of SMEs? *Entrepreneurship and Sustainability Issues*, 2(3).

- Kothari, C. R. (2004). *Research methodology: Methods and techniques*. New Age International Pvt. Ltd., Publishers.
- Kumar, R. (2011). *RESEARCH METHODOLOGY (11th Ed.)*. SAGE Publications Ltd.
- Kutschker, M., & Schmid, S. (2006). *Internationales Management (5th ed.)*. Munich.
- Lawrence, P. R., & Lorsch, J. W. (1969). Differentiation and integration in complex organizations. *Administrative Science Quarterly*, 12(1), 1.
- Leedy, P.D. and Ormrod, J.E. (2005). *Practical Research: Planning and Design*. Prentice Hall, Upper Saddle River, NJ.
- Lu, J. W., & Beamish, P. W. (2006). SME internationalization and performance: Growth vs. profitability. *Journal of International Entrepreneurship*, 4(1), 27–48.
- Luo, Y. (2001). Determinants of entry in an emerging economy: A multilevel approach. *Journal of Management Studies*, 38(3), 443–472.
- Luo, Y. (2002). Capability Exploitation and building in a foreign market: Implications for Multinational Enterprises. *Organization Science*, 13(1), 48–63.
- Lyles, M. A., & Salk, J. E. (1996). Knowledge acquisition from foreign parents in International Joint Ventures: An empirical examination in the Hungarian context. *Journal of International Business Studies*, 27(5), 877–903.
- Lyles, M. A., & Salk, J. E. (2006). Knowledge acquisition from foreign parents in International Joint Ventures: An empirical examination in the Hungarian context. *Journal of International Business Studies*, 38(1), 3–18.
- Manolova, T. S., Manev, I. M., & Gyoshev, B. S. (2010). In good company: The role of personal and inter-firm networks for new-venture internationalization in a transition economy. *Journal of World Business*, 45(3), 257–265.

- McDougall, P. P., & Oviatt, B. M. (2000). International entrepreneurship: The intersection of two research paths. *Academy of Management Journal*, 43(5), 902–906.
- Miller, S. R., & Parkhe, A. (1998). Patterns in the expansion of U.S. Banks' Foreign Operations. *Journal of International Business Studies*, 29(2), 359–388.
- Miller, S. R., Lavie, D., & Delios, A. (2016). International intensity, diversity, and distance: Unpacking the internationalization–performance relationship. *International Business Review*, 25(4), 907–920.
- Morgan, R. E., & Katsikeas, C. S. (1997). Obstacles to export initiation and expansion. *Omega*, 25(6), 677–690.
- Navarro-García, A., Arenas-Gaitán, J., Javier Rondán-Cataluña, F., & Rey-Moreno, M. (2016). Global Model of Export Performance: Moderator role of export department. *Journal of Business Research*, 69(5), 1880–1886.
- Negussu Solomon. (2020). *Factors Influencing the Export Marketing Performance: The Case of Ethiopian Exporters* (thesis). Addis Ababa University.
- Nguyen, Q. T., Verbeke, A. Rugman, A. M., & (2017). Fifty Years of International Business Theory and beyond. *Management International Review*, 51(6), 755–786.
- Odihambo William. (2012). Factors influencing internationalization of KENOLKOBIL KENYA company limited.
- Oeconomica, Acta. 2014. Stages of internationalization: A contribution to the establishment of a theoretical framework.
- Olawumi Dele. (2013). Factors influencing the internationalization of Nigerian manufacturing firms: An empirical analysis. *International Journal of Business and Management Review*, 1, 14–34.

- Oviatt, B. M., & McDougall, P. P. (2004). The internationalization of entrepreneurship. *Journal of International Business Studies*, 36(1), 2–8.
- Palenzuela VA & Bobillo AM. (1999). *Transaction Costs and Bargaining Power: Entry Mode Choice in Foreign Markets*.
- Pallant, J. (2016). *SPSS Survival Manual: A Step By Step Guide to Data Analysis Using SPSS Program (6th Ed.)*. London, UK: McGraw-Hill Education.
- Pangarkar, N. (2008). Internationalization and performance of small- and medium-sized enterprises. *Journal of World Business*, 43(4), 475–485.
- Papadopoulos, N., & Martín Martín, O. (2010). Toward a model of the relationship between Internationalization and Export Performance. *International Business Review*, 19(4), 388–406.
- Perlitz, M., & Rank, O. N. (2004). Structural Analysis of Multinational Network Organizations. *Modern Concepts of the Theory of the Firm*, 414–433.
- Porter (1980). Competitive strategy: Techniques for analysing industries and competitors. *Industrial Marketing Management*, 11(4), 318–319.
- Qian, G., Li, L., Li, J., & Qian, Z. (2008). Regional diversification and firm performance. *Journal of International Business Studies*, 39(2), 197–214.
- Robock, S. H., & Simmonds, K. (1989). International Business and Multinational Enterprises. *The International Executive*, 15(3), 5–6.
- Rutihinda, C. (2011). Factors influencing the internationalization of small and Medium Size Enterprises. *International Business & Economics Research Journal (IBER)*, 7(12).
- Ruzzier, M., & Ruzzier, M. K. (2014). On the relationship between firm size, resources, age at entry and internationalization: The case of Slovenian smes. *Journal of Business Economics and Management*, 16(1), 52–73.

- Ruzzier, M., Hisrich, R. D., & Antoncic, B. (2006). SME Internationalization Research: Past, present, and future. *Journal of Small Business and Enterprise Development*, 13(4), 476–497.
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students*. In *International Journal of the History of Sport (5th Ed., Vol. 30, Issue 1)*. Mark Saunders, Philip Lewis and Adrian Thornhill.
- Singla, C., & George, R. (2013). Internationalization and performance: A contextual analysis of Indian firms. *Journal of Business Research*, 66(12), 2500–2506.
- Stucchi, T., Pedersen, T., & Kumar, V. (2015). The effect of institutional evolution on Indian Firms' Internationalization: Disentangling inward- and outward-oriented effects. *Long Range Planning*, 48(5), 346–359.
- Tamaschke, R. (1996). John Ellis & David Williams (1995) *International Business Strategy* London: Pitman. *Journal of the Australian and New Zealand Academy of Management*, 2(2), 62–63.
- Tamrat Yigzaw Abeje. (2014). *Internationalization Challenges of Ethiopian SMEs*.
- Vida, I., Reardon, J., & Fairhurst, A. (2000). Determinants of international retail involvement: The case of large U.S. retail chains. *Journal of International Marketing*, 8(4), 37–60.
- Welch, L. S., & Luostarinen, R. (1988). Internationalization: Evolution of a concept. *Journal of General Management*, 14(2), 34–55.
- Welge, M. K. (2003). *Internationales management: Theorien, Funktionen, Fallstudien*. Schäffer-Poeschel.
- Wells, L. T.. (2001). *The Product Life Cycle and International Trade*. Boston : Harvard Business School.

- Westhead, P., Wright, M., & Ucbasaran, D. (2001). The internationalization of new and small firms. *Journal of Business Venturing*, 16(4), 333–358.
- William, W. O. (2012). *Factors Influencing Internationalization of Operations of Kenolkobil Kenya Company Limited (Doctoral Dissertation, University Of Nairobi)*.
- Williamson E. Oliver. (1985). Asset specificity and economic organization. *International Journal of Industrial Organization*, 3(4), 365–378.
- Williamson, O. E. (1975). The economic institutions of capitalism. Firms, markets, relational contracting. *Das Summa Summarum Des Management*, 61–75.
- Wright, R. W., & Ricks, D. A. (1994). Trends in international business research: Twenty-five years later. *Journal of International Business Studies*, 25(4), 687–701.
- Xiao, S. S., Jeong, I., Moon, J. J., Chung, C. C., & Chung, J. (2013). Internationalization and performance of firms in China: Moderating effects of governance structure and the degree of centralized control. *Journal of International Management*, 19(2), 118–137.
- Yamane Taro (1964). Book reviews : Statistics, an introductory analysis. New York: Harper and row, 1964. pp. XVI + 734. \$8.75. *Educational and Psychological Measurement*, 24(4), 981–983.
- Yehualashet D. L. (2015). *Determinants and Impediments in the Internationalization Process of Small and Medium-Sized Manufacturing Enterprises in Ethiopia (Doctoral Dissertation)*.
- Zhao, H., Luo, Y., & Suh, T. (2004). Transaction cost determinants and ownership-based entry mode choice: A meta-analytical review. *Journal of International Business Studies*, 35(6), 524–544.

Appendixes

Questionnaire (Appendix 1)

Addis Ababa University
College of Business and Economics
Department of Management

Dear Respondents,

My name is Habtamu Ditta and the purpose of this questionnaire is to collect data for the thesis work in requirement for partial fulfillment of MSc degree in International Business from Addis Ababa University.

The study aimed at identifying the Effect of internationalization decision on firm International business Performance: case of Addis Ababa City Export firms. I would like to emphasize that your response are extremely valuable for the successful completion of this paper and I would immensely appreciate your response for all questions genuinely. I can assure you that the information you provide will be completely anonymous and will not be used for any other purpose it will use only for academic purpose.

I would appreciate very much in advance for your cooperation and sacrificing your valuable time.

Put tick (✓) mark in the appropriate answer.

Questionnaire

Section One – Background Information

1. Type of business sector that you are Involved

- | | | | |
|--|--------------------------|--------------------------------|--------------------------|
| 1. Coffee Exporter | <input type="checkbox"/> | 9. Meat Exporter | <input type="checkbox"/> |
| 2. Pulses, Oilseeds & Spices Exporter | <input type="checkbox"/> | 10. Live Animal Exporter | <input type="checkbox"/> |
| 3. Vegetable & Fruit Exporter | <input type="checkbox"/> | 11. Textile & Garment Exporter | <input type="checkbox"/> |
| 4. Flower Exporter | <input type="checkbox"/> | 12. Other | <input type="checkbox"/> |
| 5. Tanners, Footwear & Leather Products Exporter | <input type="checkbox"/> | | |
| 6. Natural Forest & Forest Products Exporter | <input type="checkbox"/> | | |
| 7. Other Agricultural Related Companies which have Export and Export Potential | | | <input type="checkbox"/> |
| 8. Cotton Exporter | | | |

2. Type of business that you are engaged

- | | | | |
|-----------------------------|--------------------------|--------------------------------|--------------------------|
| 1. Sole Proprietorship | <input type="checkbox"/> | 4. Small and Medium Enterprise | <input type="checkbox"/> |
| 2. Private Limited Company | <input type="checkbox"/> | 5. Corporation | <input type="checkbox"/> |
| 3. Share Company | <input type="checkbox"/> | | |
| Other, please specify _____ | <input type="checkbox"/> | | |

3. Your position in the Company

- | | | | |
|-----------------------------|--------------------------|--------------------|--------------------------|
| 1. Owner | <input type="checkbox"/> | 4. Finance Manager | <input type="checkbox"/> |
| 2. General Manager | <input type="checkbox"/> | | |
| 3. Import/Export Manager | <input type="checkbox"/> | | |
| Other, please specify _____ | | | |

4. Specify your experience (Involvement) in export business

- | | | | |
|---------------------|--------------------------|-------------------|--------------------------|
| 1. Less than 1 year | <input type="checkbox"/> | 4. 11-15 years | <input type="checkbox"/> |
| 2. 1-5 years | <input type="checkbox"/> | 5. Above 15 years | <input type="checkbox"/> |
| 3. 6-10 years | <input type="checkbox"/> | | |

5. What is the highest degree or level of education you have completed?

- | | | | |
|----------------------|--------------------------|--------------------|--------------------------|
| 1. Diploma | <input type="checkbox"/> | 3. Master's Degree | <input type="checkbox"/> |
| 2. Bachelor's Degree | <input type="checkbox"/> | 4. Ph.D. or Higher | <input type="checkbox"/> |

Section Two – Questions on the factors that influence the internationalization decision of firms.

Please specify your level of agreement or disagreement to the statements concerning to perceived decision factors that influence for the internationalization decision of your firms

		Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
	What factors influenced your company to internationalize your products/services?					
TC1	Our foreign entry decisions are based on making investments that are specific to the buyer					
TC2	The level of technological advancement influences international exposure of my company					
TC3	Increase in the value and number of employee encourages the decision to expand to other countries					
TC4	Political and economic stability of our target country encourages international operations					
TC5	High market potential influences international presence					
TC6	Similarity and familiarity with a country's cultures and environments encourages foreign investments					
TC7	International expansion is encouraged by the perceived simplicity in partner selection and ability to enforce, monitor, and control contractual agreements					
TC8	International investment is influenced if the transactions are recurrent and/or large					
RB1	The higher my company's international experience, the higher the urge to expand internationally					
RB2	Increasing length and scope of my company's international experience encourages further international investment					
RB3	Possession of a country-specific experience induces setting up international presence in the target country					
RB4	Possession of unique proprietary technology induces our companies propensity to expand to foreign countries					
RB5	The reputation of our company in the industry encourages international operations					
IB1	Acceptability and adaptability of our					

	products in a foreign country/ culture encourages international presence in that country					
IB2	Favorable government policy in the host and home countries influences decisions to increase international investments					
IB3	Price stability, controlled inflation and favorable monetary policies in a host nation induces my company's foreign exposure in the host country					
IB4	Complementary and receptive host nation's organizational structures, processes and administrative conveniences encourages increased foreign commitment of our company					
IB5	The level, pattern and government regulation of competition in the host nation influences our company's foreign commitment.					

Section Three – Questions to measure International Business Performance

Please put tick (√) mark to indicate your agreement or disagreement to the statements concerning to measure the perceived international business performance of the firm.

No.	Key factors expressing business performance	Yes	No
1	The foreign sales targets as a percentage of total sales are met by the organization		
2	The existing level of international performance is satisfactory to the Management		
3	The company's long-term international performance is secured		