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Addis Ababa University

College of Business and Economics

Department of Management

Program of International Business

Factors Affecting the Internationalization Strategies of Ethiopian Manufacturing Firms; the Case of Leather and Leather Product Manufacturing Firms

Thesis Submitted to the Addis Ababa University college of Business and Economics for the Partial Fulfillment of the Requirements for the Award of Degree of Master of Science in International Business

By AbrehamTerecha

Advisor: TilahunTeklu(PHD)

January, 2022

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Declaration

I AbrehaMTerecha declare that this dissertation entitled "Factors Affecting the Internationalization Strategies of Ethiopian Manufacturing Firms; the Case of Leather and Leather Product Manufacturing Firms" submitted for the fulfillment of Master of Science (International Business) at Addis Ababa University is a novel work of mine and has not been submitted to and examined in Addis Ababa University or any other institution, and all sources are duly acknowledged.

NameAbrehamTerecha

Signature-----------------------

Date -----------------------

Certification

This is to certify that the thesis prepared by AbrehamTerecha, entitled “Factors Affecting the Internationalization Strategies of Ethiopian Manufacturing Firms; the Case of Leather and Leather Product Manufacturing Firms” and submitted in partial fulfillment of the requirements for the degree of Master of science in International Business complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Advisor: TilahunTeklu (PhD)   Date

Approval of Board Examiners

Addis Ababa University College of Business and Economics Department of Management Program of International Business

Factors Affecting the Internationalization Strategies of Ethiopian Manufacturing Firms; the Case of Leather and Leather Product Manufacturing Firms

By: AbrehamTerecha

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List of Acronyms and Abbreviations

AFCFTA	AFRICAN CONTINENTAL FREE TRADE AREA
CSA	CENTRAL STATISTICAL AUTHORITY
CPM	COMPETITIVE PROFILE MATRIX
EFE	EXTERNAL FACTOR EVALUATION
I/O	INDUSTRIAL ORGANIZATION
LLP	LEATHER AND LEATHER PRODUCTS
LIDI	LEATHER INDUSTRY DEVELOPMENT INSTITUTE
RBV	RESOURCE BASED VIEW
IB	INTERNATIONAL BUSINESS
R&D	RESEARCH AND DEVELP OMENT
NBE	NATIONAL BANK OF ETIOPIA

Abstract

This paper examines the factors that affect the internationalization strategies of Ethiopian leather product manufacturing firms. International trade, especially export is very important for the growth of any country. But due to various reasons, the export item that Ethiopia is endowed with is underserved. Therefore, this paper tries to investigate the factor that contributed to the poor performance of the leather sector. To analyze the challenging factors that led to the poor performance of the leather sector, the researcher used internal and external environmental factors. An internationalization strategy in this paper is represented by the entry modes, market selection, and target customers. Primary data collection method; questionnaire is used to collect information from the selected leather manufacturing firm located in Addis Ababa and the surrounding special zone of *Oromia region. The data is then analyzed using descriptive, correlation, and regression analysis through SPSS 20. The findings derived from the study then indicate that internal environment factors such as human resource factors, physical resource factors, and organizational factors affect the international strategies of leather firms. Internal factors such as economic forces, government, legal and political forces, competitive forces, and technological forces affect internationalization strategies in addition to the internal factors mentioned earlier. After the result is obtained, the researcher has forwarded policy recommendations that can potentially improve Ethiopia's leather sector performance. Therefore, to improve the leather sector's performance in the international market, anyone involved should exert their maximum effort. That means the manufacturing firms by their initiative should identify the challenges and the improvement areas needed. After identifying the problems the firm should take correcting measurements. From the government side, starting from policy creation that supports leather producing firms to creating conducive environment is needed. For instance, formulating and implementing a strong trade policy towards imported leather items from abroad, preparing exhibitions that promote leather products at the international level, working in changing the perceived low value of leather products in various international markets, etc is expected from the government.*

Key words: *Ethiopia, internationalization, internationalization strategy, leather products*

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Today's advancement in science and technology has made the ways of communication easier for anyone living in the globe. So that, goods and services move from one place to another easily, and firms involve their business across the national boundaries to share the stake from the rewarding global market. To maximize the benefits that will be acquired from the international market, firms often increase their involvement in international operation, which is also referred to as internationalization (Welch &Luostarinen, 1999: 84). However, participating in an overseas' markets is not devoid of risk, and uncertainties. To reduce the risks and uncertainties associated with the overseas market operation, and to increase involvement in international business operations firms could craft internationalization strategies. The internationalization strategy of a firm can be expressed as a mechanism in which firms select foreign markets to present themselves by analyzing and adoptingthe modes of entry to be employed as well as with which foreign partners to associate (Henrik, 2004).

Theoverall content of this thesis is related tothe research project "factors affecting the internationalization strategies of Ethiopian manufacturing firms; the case of leather product manufacturing firms." To investigate the factor that led to the poor performance of Ethiopia's LLP sector in their strategy towards internationalization process with particular references to firms engaged in the production of leather, and leather products(LLPs) such as tanneries, footwear, bags and gloves are closely analyzed.

Though Ethiopia's livestock population is the highest in Africa (CSA, 2019/20), it is the underserved sector in the international market due to various external and internal hindering factors. This shows that no matter how; the country has immense potential from the LLP sector, the relative contribution of this sector to the national economies of Ethiopiais yet low. Therefore, this thesis analyzed the problems that LLP firms are facing while they are trying to internationalize their operation by taking samples from those firms involved in the LLP sector.

The internal factors such as the company's human, physical, organizational resources as well as economic forces, and the external factors that includepolitical, legal, governmental, technological, and competitive forces are used to analyze the factors that affect LLP firms from further internationalization processes.

1.2. Statement of the Problem

Agricultural primary goods account more than a three-fourth of Ethiopia's export, which stood at 2.9 billion dollars during the 2019/20 fiscal year (National Bank of Ethiopia hereinafter, NBE). With a little attention given to value-addition, there has been a huge disparity between export proceeds and imports bill, resulting in the *widening of Ethiopia's trade deficit*, which was 11 billion dollars, and *balance of payment deficit,* a situation which has forced the country to suffer from a critical shortage of foreign currencies. It is thus critical to diversify the country's export goods and give more emphasis to value addition by exporting semi-processed and processed items. Applying such an approach would be also rewarding for the private sector and make the economic trajectory that the country registered for over a decade sustainable.

Ethiopia is livestock resources endowed country. According to a survey conducted by the Central Statistical Agency (CSA), there are around 65.35 million cattle population, 50.5 million goats, and 39.89 million sheep in Ethiopia (CSA, 2019/20). Such an opportunity makes Ethiopia one of the most preferred destinations of any investor who would like to invest or to make trade arrangements in the leather industry due to the comparative as well as absolute advantage that the country enjoys.

Despite having great potential, the export earnings from leather and leather product have been declining significantly over the last half a decade. According to the National Bank of Ethiopia (NBE) annual report published during 2019/20, the export proceeds from these products have declined by 38.6 percent compared to the preceding fiscal year, while a 36.5 percent fall was registered in volume and a 3.4 percent decline in unit price of the item. And consequently, the total share of the sector in merchandise export dropped from 4.4 percent to 2.4 percent.

There are many factors responsible for the decline. Particularly, a fall in productivity of factories and price volatility of LLPs in international markets have contributed a lot. While these are the main factors that contribute to poor performances of LLP in international markets, lack of quality raw materials, specialized (skilled) manpower, sophisticated machinery, marketing, and pricing knowledge as well as information and communication technologies are cited as a major reasonsfor the decline in exports of the item (Gebreslassie, 2015).

Ethiopia has immense potential in the LLP sector. However, due to various internal and external impeding factors, the income generated from the sector does not match its potential. Therefore, averting the impeding internal and external factors of the sector, especially for firms with little experience in the international market, will be helpful.

Policymakers should not be blindfolded by the huge resource abundance and the market opportunities that exist in the country. Equally important is solving the bottlenecks of LLPs and closely working with stakeholders.

At the early stage of the internationalization process where the LLP firms' resources are too low and with limited or no international experience, their interest of the export market will be a market where there is a small psychic distance. Beckerman, 1956, defined psychic distance to include socio-cultural elements such as language, culture, and political system. Brewer, added that with a low psychic distance between the home and the host market; where acquiring information is symmetrical, firms identify opportunities easily and market uncertainty will be low (Brewer, 2007). The formation of regional trade blocs like the African continental free trade area (AFCFTA) brings a great opportunity for Ethiopia's LLP sector since the psychic distance among member countries is anticipated to be small(Bilkey&Tesar, 1977).

AFCFTA is the largest free trade area in the world measured by number of participants (World Bank, 2020). Ethiopia is a member country of the AFCFTA along with the other 44 African countries that signed the agreement. The establishment of this regional economic bloc helps to reduce tariff and non-tariff barriers among member countries and also helps to facilitate the movement of goods and services. If a maximum effort is exerted in solving the internal and external challenges of the sector, the small psychic distance between member countries in addition to the national competitive advantages of the sector will give LLP a leading role in terms of internationalization across borders.

Many research works have been done regarding LLP in Ethiopia and most of them have identified the constraints mainly focusing on either leather footwear industry or leather industry only. However, this thesis has focused on exploring the impending factors of LLP's internationalization strategy as a whole. This thesis has analyzed and gave emphasis to the LLP's overall challenges. And also is serves as an input for firms especially for those with an aspiration of capitalizing on the opportunities that existed in the international market.

1.3. Purpose of the Study

The study addresses to the factors that are hindering or affecting the LLP's internationalization strategy.

1.3.1. Research questions and hypotheses

In lights of the above facts, the following three major questions were posed and addressed in this research**:**

- What are the major factors that affecting the internationalization strategies of LLP's?
- Does the internal environment/ resource based factor affects the LLP's internationalization strategy?
- Do the external environment factors affect the LLP's internationalization strategy?

Specific research questions:

- Dothe firms' human resources affect LLPs internationalization strategy?
- Do firms' physical resources affect LLPs internationalization strategy?
- Dothe firms' organizational resources affect LLPs internationalization strategy?
- How does economic forceaffect LLPs internationalization strategy?
- Do political, legal environments and governmental forces affect LLPs internationalization strategy?
- Can advancement of technological forces affect LLPs internationalization strategy?
- Docompetitive forcesaffect LLPs internationalization strategy?

Through the response obtained for the above research questions, the research will provide conclusion, policy recommendation, serves as input for further program, and project development and will offer advice to the stakeholders who will partake in LLP sector.

The hypotheses: Hypothesis is a concept that a researcher is going to test with his experiments.

.*Hypothesis* 0: There is no relationship between company's human resourceand its internationalization process.

Hypothesis 1: There is relationship between company's human resource and its internationalization process

Hypothesis 0: Availability of physical resource affects LLP's export production capacity.

Hypothesis 2 Availability of physical resource affects LLP's export production capacity.

Hypothesis 0: organizational resource will not contribute toLLP'scommitment to internationalization strategy.

Hypothesis 3: organizational resource will contribute to LLP's commitment to internationalization strategy.

Hypothesis 0: Favorable economic forces have no positive firms' internationalization process.

Hypothesis 4: Favorable economic forces have positive firms' internationalization process.

Hypothesis 0: Good political, legal environment and governmental forceswill not promote firms' internationalization process.

Hypothesis 5: Good political, legal environment and governmental forces will promote firms' internationalization process.

Hypothesis 0: Advancement of technological forceswill not facilitate firms' internationalization process.

Hypothesis 6: Advancement of technological forceswill facilitate firms' internationalization process.

Hypothesis 0: Competitive forces do not affect firms' internationalization process.

Hypothesis 7: Competitive forces affect firms' internationalization process

1.4.Theoretical Perspective

1.4.1. International Business

Firms participate in trade and investment activities by crossing national borders. International business (IB) comprises a movement of goods, services, capital, technology, business know how and also requires individual firms, governments, and other stakeholders to make a collaborative arrangementsS.Tamer. Marios and Sypros (2006) defined IB is a profit related activity performed across national boundaries. Any firm whether it is small or large should sell to or source from the global market either by involving directly or indirectly.

IB is not a risk free activity; rather there are risks associated with undertaking a cross border trade and investment activities. The magnitude of risk might depend on the extent of the strategy selected by the firm. Effective environmental analysis however will minimize the danger that is forthcoming on the firms overall operation. A risk associated in IB activity includes cross-cultural risks, commercial risks, currency risk and country risk. Therefore success in IB activity depends up on the firm's knowledge of the target market culture, political situation, and rules and regulations, experience of the international market, resources committed and their market entry strategy.

Elements of International Business, Source: S.Tamer

1.4.2.Globalization of Market

Nowadays, people's choice, tastes and preferences is converging and firms are producing their product considering the global demands of their customers. As it is defined by SvendHollensen, global marketing is a firm's commitment to coordinate its marketing activities across national boundaries in order to find and satisfy global customer needs. Therefore this has forced those isolated and diverse market to come into one huge global market Marios and Sypros (2006).

The emergence of global customers who demand standardized worldwide products, the ease of communication methods that are facilitating information's from one part of the world to the other in a wind speed, the removal of trade barriers has reduced the complexities involved in doing business across boundaries. And therefore these and the combination of other factors have forced firms to integrate their activities across the national borders.

CHAPTER TWO

LITERATURE REVIEW

Introduction

In this chapter the empirical and theoretical concepts about internationalization and strategy will be discussed. In addition to internationalization theories, overview of the global and local leather market outlook will be analyzed.

2. Theoretical literature review

2.1.Internationalization

In today's world, internationalization is becoming a day to day phenomenon. Firms are relocating and setting up their new factories across boundaries, investors are looking for new market destinations, government ledtrade missions are carrying out every business dayin search of new market opportunities for their investors, and also an easy access of online based internet market is making internationalization a familiar anda day to day activity.So that, now a day's firms that are found in any part of the world are not treated like as an isolated actor rather their involvement is much more appreciated.This reason will leave firms with no choice other than making a step forward towards involving in the international business arena; otherwise they will perish or will be confined in the local market only. But, trade and investmentactivities across national border require advance planning (knight, 2000).

2.2.1. Internationalization Strategy Process of Firms

Internationalization is a process of expansion of one business from the home market to other foreign markets. The decision to internationalize a firm's activity requires a robust planning and strategic decision, since internationalization affects the firms internal and its external resources. Any firm that wish to internationalize its activities abroad needs to analyze the external environment and their internal capabilities. Therefore, strategic management integrates issues like industry analysis, environmental scanning, and, strategic planning (Wheelen, 2008).

The increase in demands for global sourcing impulse firms to make their focus towards globalization and global market developments. Engaging one's activity in a global scale requires a firm to change its organizational structure and also a thorough knowledge of the market's functioningis needed (Freeman and Cavusgil, 2007; Chetty and Campbell-Hunt, 2004; Clark et al., 1997). A highly organized and a well-prepared firm in his home market will develop the knowledge to overcome the challenges that possibly arises in overseas market (Cuervo-Cazurra, 2011)

Firm's who aspire to pursue internationalization process, will follow various kinds of strategies for different market. The strategy they choose will depends on the size of the market they have chosen, its attractiveness, competition, psychic distance, and etc (whitelock 2002). Contingent on the overseas market trade policies, geographical distances, marketing costs, and, other relevant factors, a firm might pick among direct exporting, licensing, franchising or any other entry mode whichever is relevant to its operation.

When entering to overseas market general and specific market knowledge about the envisioned market is needed. General knowledge is about certain characteristics of the customer's tastes, preferences and attitudes, whereas the latter one is gained through experience (johanson and vahlne, 1977). Possessing strong market knowledge will boost the confidence of the firm to commit its resource to that specific market (johanson and vahlne, 1977, johanson and associates, 1994).

There is no a single framework of firm's internalization process has emerged so far. This is due to the diversity of the disciplines among researchers, the theoretical frameworks they adopt, the organizations they investigate and the national origins of data they examine (Barkema et al.1996). Some firms may choose incremental stage, some firms may follow non-sequential model or some firms may use network of relationships or some firms may become born-global firms.

Various definitions about internationalizations have been offered and most of the definitions stress the importance of having a good organization level strategic orientation. According to S. Tamer Cavusgil and et al definition, internationalization is the tendency of companies to deepen their international business activities systematically. Firms' incremental involvement in international business depends on their structure, resource and strategy (Calof and Bamish, 1995). Internationalization is consists of satisfying global customer needs better than the competition, and of coordinating of marketing activities within the constraints of global environment (Hollensen, 1998). As svendhollensen points out internationalization require firms to coordinate:

- Marketing activities
- Find global customer needs
- Satisfy global customer needs
- Being better than the competition.

Many modelshave beenalso presented regarding the internationalization process of firms. The Upssala internationalization model, the internalization/transaction cost theory model and the network model are the main model that are known widely.

Therefore, internationalization processes of firms integrate strategic decision and operational issues. Issues that concerned with the strategic decision is like target customers, target market and entry mode, whereas operational issues are related with product positioning, pricing, distribution channel and so on.

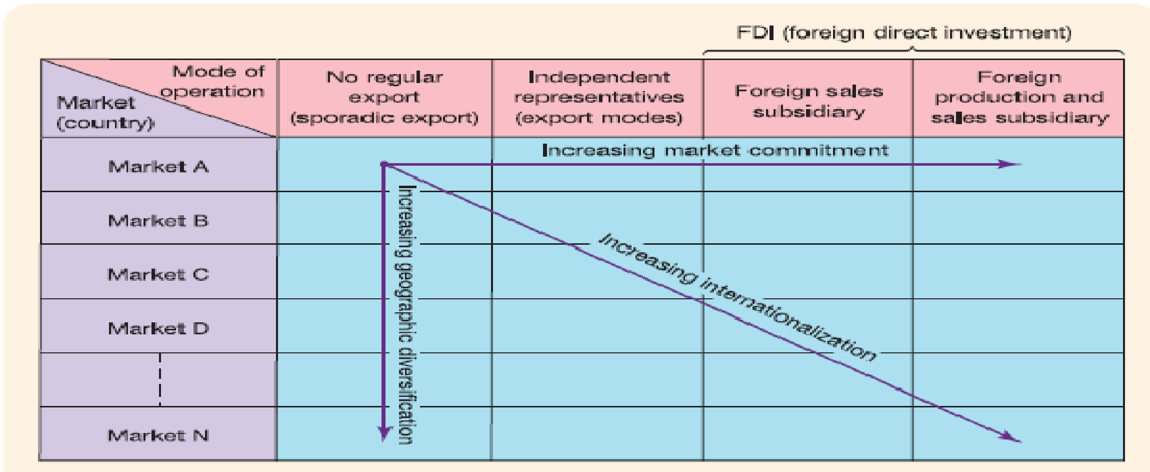
2.2 The Uppsala Internationalization Model

It is also known as the stage model and developed by four Swedish university researchers. This model was about firms'choice of markets and form of entry when they go abroad. This model introduces the incremental entries of firms into international market. Firms start their international business operation from geographic location where they are very familiar with and then gradually to a market that is far from their geographic location.

Entry in to international market has four stages and each successive stage represents higher degrees of international involvement or market commitment, Johanson and weidersheim-paul (1975).

- Stage 1 no regular export activities (sporadic export)
- Stage 2 export via independent representatives (export modes)
- Stage 3 establishment of foreign sales subsidiary
- Stage 4 foreign production or manufacturing units.

Market commitment requires the combination of resource (marketing, organization, personnel and etc.) and degree of commitment in the market. A strong general knowledge and market specific knowledge leads to a higher market commitment and geographical dimensions. But lower market knowledge, less international experience and fewer resources makes internationalcommitmentsto be performed in small incremental step.



Source; SvendHollensen page 120

Internationalization of the firm: an incremental organic approach.

Welch and Loustarinen (1998) have extended the model to the following six dimensions.

1. sales objects (what?): goods, services, know-how and systems;
2. operations methods (how?): agents, subsidiaries, licensing, franchising management contracts;
3. markets (where?): political/cultural/psychic/physical distance differences between markets;
4. organizational structure: export department, international division;
5. finance: availability of international finance sources to support the international activities;
6. Personnel: international skills, experience and training.

This model is criticized by many researchers. Johansson and Mattson, 1986 criticized the model for not taking into account the interdependencies of country market because this model considers country market as completely separate entities.Nordstrom (1991) argues the world has become homogenous and the people across boundaries are acquainted.

2.2.1 Internalization/ Transaction Cost Model

This is another model developed by Ronald Coase (1937). He argues that in choosing foreign market a firm will tend to expand until the cost of organizing extra transaction within the firm will become equal to carrying out the same transaction by means of exchange on the open market. According to this model LLP firmswill choose activities that can be performed at lower cost through establishing internal (hierarchical) management control and implementation system while relying on the market for activities in which independent outsiders (such as export intermediaries, agents or distributors) have a cost advantage.

2.2.2. The Network Approach/Model

According to this approach firm cannot be analyzed as an isolated actor but it has to be viewed in relation to other firms in the international environment. Because one firm is not the sole owner of a specific resource, rather firms share the same resource with other firms in the international market.

In the business network, actors are autonomous and linked to each other through network of relationship, which is flexible and may alter accordingly to rapid changes in the environment. In the network model, firms' domestic relationship can be used as a bridge to other networks in other country market.

2.3. International competitiveness of firms

Firms that cross boundaries may face various challenges that will affect their organization. Because they are operating in the market where there are differencesin culture, taste and preferences, rules and regulations, currencies and many other factors. Therefore before rushing into other country market firms should craft a strong organizational level strategy and this will allow them to compete in the international market.

According to Michael E,porter (1990) the characteristics of the home nation play a central role in firms international success. Porter asserts that firm's home base capacity shapes the company's future direction. And he has identified six determinants of firm's national competitive advantage.

Determinants of National Competitive Advantage: Porter's Diamond

Internationalization as a strategy

Today's international business environment is characterized by a free movement of goods and services across boundaries, removal of trade barriers, homogeneity of customer demands, standardized worldwide technology, globalized market and etc. These and many other factorsthat are not mentioned here will force organizations or firms to craft their strategy by complying developments in the international market.

Strategy is a means or a tool by which organizations try to achieve their long term objectives. Therefore, for firms to achieve their objectives, it requires matching their resource and capabilities with the threats and opportunities in the environment. According to Guleck,1980 " strategy is a unified, comprehensive and integrating plan relating the strategic advantages of the firm to the challenges of the environment. It is designed to ensure that basic objectives of the enterprise are achieved."

Geographic expansion, diversification, market penetration, product development, and joint ventures are among the strategies in which a firm that aspire going international will hold. According to Fred R.(2011) strategies have multifunctional or multidivisional consequences and require consideration of both the external and internal factors facing the firm. When firms craft their internationalization strategies they should assess the internal and external environment. Thus, scanning the environment will help the firms to identify their coreinner potentialand the destructive external forces that pulling the firm backward.

Fred R. has identified the following key internal and external factors that should be considered when formulating strategies.Internal factors include (management, marketing, production/operations, R&D and management InformationSystems) and while external factors are (economy,political/Legal/Governmental, and social/cultural/demographic/environmental, technological and competitive forces).

Examining both external and internal factors are important in achieving organizational long term and short termobjectives. Analyzing the in and outside environment helps firms to effectively exploit the opportunity and to avoid the threats before they became serious unavoidable problems to the firms operation. Therefore, before formulating strategies firms should analyze their internal and external forces.

2.4. Why do firms internationalize?

Participating in international business arena gives firms a chance to access new customers, information, ideas and knowledge's of the operating factors of the global market. According to Jonas and Leo, 2008 firms might opt for an internationalization strategy for the following reasons.

- To gain access to new customers for existing product or services.
- To develop and leverage core competencies.
- To gain access to valuable factors of production.
- To manage corporate risk.
- Develop economies of scale in sourcing, production, marketing, and R&D

2.4.1. Determinants of Internationalization

Internationalization of firms might be impeded by the environmental factors which is beyond the control of firms or by the internal factor that emanates from the firm itself. Identifying the major determinants of internationalization especially in the early stages foreign market entry is important. Because going abroad is not an easy thing, it requires huge amount of resources to be deployed. Firms' internationalization process can be determined by the environment or by the firm characteristics Hollensen (1998). Overseas experience, size or amount of resource committed, existing network of relationships, degree of internationalization of the market and international industry structure are the factor that have been identified by Hollensen.

2.4.2. Indicators of Internationalization

Degree of internationalization is measured by the involvement of a firm activity in foreign market. This involvement can be measured in terms firms structure, performance and attitudinal indicators. The dimensions that uses to measure firms' internationalization might be described using the following indicators.

- Volume of export from the home market
- Proportion of foreign sales subsidiary
- Number of countries the firm is active in
- Proportion of non-capital involvements abroad(e.g. franchising, strategic alliances)
- Income generated from abroad
- Firms involvement in global chain activity

2.5. Overview of Ethiopia's LLPSector

The livestock sector in Ethiopia is one of the largest in the world and the formal sector of the LLP sector has started some 90 years ago (LIDI 2017). It was during Emperor Haile Silasie regime that the sector was organized and established as a formal sector (Abebe/Schaefer 2015). The Armenians were the first to establish a shoe factory in Addis Ababa namely; TikurAbay and Anbesa shoe factory.

However, the Derg-regime barred foreign investors and established the National Leather and Shoe Corporation(NLSC) and put all the tanneries and shoe factories under state monopoly. With the end of the Derg-regime market-oriented economic reforms and privatization processes has again revived. This, in combination with an industrial policy focus implemented in 2000s, has allowed a room for private sector investments and foreign investors (NolawMelakedingil, 2008). After the downfall of the Derg regime NLSC was disbanded and the new policy has encouraged private investors. Although there are other leather footwear producing factories before, it was during this period that the walia tannery became operational (Tesfaye et al, 2004)

According to data obtained from Ethiopian leather Institute(ELI) publication, currently 43 listed leather product industries(LPI), 19 footwear industries, 27 tanneries and 4 glove factories are currently operational. Out of 43 leather factories 39 LPI, 16 out of 19 footwear factories and all four glove factories has made their production base in the capital Addis Ababa. The rest factories are found in Oromia, Amhara and Tigray region.

Ethiopia has one of the world's largest livestock population with around 58 million cattle (the largest in Africa and 6th in the world), 29 million sheep (3rd in Africa and 10th in the world) and 30 million goats (3rd in Africa and 8th in the world (LIDI 2017). The huge amount of resources that Ethiopia possesses gives an ample opportunity for the growth of the LLP sector. Apart from the volume of resources, the suitability for high quality of leather garments and sport gloves, 70% Ethiopia's sheepskin is highly demanded in the international market(UNIDO, 2004).

2.5.1. Ethiopia's Major Exports Items and Destinations

The structure of Ethiopia's export market is dominated by a few primary agricultural products. Coffee, flowers, oilseeds and chat alone accounts more than 76% of the total export of the country. With the Netherlands becoming the top destination for Ethiopia's product followed by Somalia and United States of America, the total value of the export items has increased from 2.66 billion dollars in 2018-2019 to $2.99 billion dollar in 2019-2020 (NBE, cepheus 2021).

Table 2.1. Top ten export destination in USD mn

No.	Country of Destinations	2017-18	2018-19	2019-2020
1	Netherlands	191.0	213.0	308.4
2	Somalia	229.0	257.9	230.7
3	United Stated	230.7	283.2	212.5
4	Saudi Arabia	189.0	183.2	207.0
5	Switzerland	101.0	1.4	198.7
6	Germany	181.0	126.5	160.8
7	United Arab Emirates	111.0	137.5	124.4
8	Djibouti	125.0	132.2	118.4
9	Japan	90.0	122.1	113.3
10	Israel	97.0	106.4	101.8

Source: NBE and cephues capital

Table 2.2.Top ten export commodities in USD mn(2019/20)

No	Commodities	Value USD mn	% share
1	Coffee	855.9	28.6
2	Flowers	422.3	14.1
3	Oilseeds	345.0	11.5
4	Chat	324.4	10.9
5	Pulses	234.8	7.9
6	Gold	196.5	6.6
7	Textile and Textile products	168.9	5.7
8	Leather and Leather products	72.0	2.4
9	Meat and meat products	67.4	2.3
10	Others	300.4	10.0

Source: NBE and cephues capital

2.5.2. Ethiopia's LLP destinations

The LLP was the 8th exported item with a total value of 72 million dollar and this accounts 5.7 percentage share from the total export items in 2019-2020. Even though the share from the total export is found to be low, the leather product is the highest exported manufacturing item next to textile and garment industry. China, United States of America and Hongkong were the top buyers of LLP in 2019-2020 (NBE, cepheus 2021).

Table 2.3. Top ten LLP destinations (2019/20)

No	Country of destination	Value (USD mn)	% share
1	China, mainland	24.4	33.9
2	Unites States	15.6	21.6
3	Hong Kong	3.8	5.3
4	United Kingdom	2.7	3.7
5	India	1.9	2.7
6	Thailand	1.5	2.0
7	Indonesia	1.3	1.8
8	Canada	1.2	1.6
9	Italy	1.0	1.5
10	Others	18.4	25.9

Source: NBE and cephues capital

2.6. Global LLP Market Analysis

The global import-export market statistics is confusing, because products that were once registered as export will be re-imported back (UNIDO, 2010). This will make the real picture of the global market data a bit complicated. However, despite this fact the overall global market for the LLP industry is highly increasing (Jan Grumiller and Werner Raza, 2019)

In 2019, china alone has exported 40.8% of the leather products are to the rest of the world; this figure makes china the leading leather goods exporting country. Italy and France follow by 14.8 percent and 11.5 percent respectively (source). Despite china, other Asian countries are also the leading producers and exporters of leather products. India, Vietnam and Indonesia are the contributors to Asia's success of leather goods export (UNIDO, 2019).

The footwear production globally has reached 24.3 billion pairs of shoes in 2019 and its market size is expected to reach 624.08 billion us dollar by the year 2028 (grand view research, 2021). The footwear production consumes 54% of the leather produced globally (UNIDO, 2010). The reason that accounts for this highest share is that much of footwear producing countries are moving from a loosely organized to some strongly organized industries. And also, an increase in demand for sports footwear is also another contributing factor for this highest number (UNIDO 2010).

US is the largest importer of the world footwear products accounting 25% of the global trade and followed by European Union (EU) with 2.8 billion pairs of shoes in 2019. While, china exports the most number of shoes to the global market (IJARMSS, 2014).

The leather product or the "leather goods" covers a wide range of products including but not limited to leather clothes, handbags, gloves, wallets and belts. The leather products can be produced as a luxury items or as casual products. The Industrialized nations are the largest buyers of the luxury items, since the consumption of leather product is directly linked with living standards (UNIDO, 2010). Hence, most buyers are located in developed nation, exporting firms must surge huge amount of investment, should use latest technologies and able to possess the know how in marketing and product development (UN com trade, 2021).

The EU market holds substantial place both in export and import of leather goods, this is mainly due to the vital position that Italy plays in the region. China, in 2017, has alone exported 55% of leather products to EU markets, making the country the largest sourcing location for most EU countries. India (11%), Switzerland (9.7%) and Vietnam (7.2%) follow the suite of china in the EU market (Jan Grumiller and Werner Raza, 2019).

2.6.1. Developing Countries and International Trade

Having untapped resources, but lacking the necessary technologies and skilled manpower, most developing nations involvement in international trade through export relies on a few commodities. Even though, the share of developing nations in international trade has increased from 25 % to 33%, for example the average share of Africa, comprising the 1.3 billion people and the most developing countries in the world, in international trade is below 3% (World Bank, 2021). Active participation in international trade would increase efficiency in resource allocation, boosts production and also positively contributes to better living standards (Narayan, 2019).

2.7. Empirical Literature Review

Various research works have been conducted regarding challenges that leather and leather product firms facein their overseas market strategy. However, most of the previously conducted researches focus on either footwear producing firms, tanning industries or leather producing firms. Differently, this thesis focuses on the industry in general. Additionally, this research tries to explore the factors that are affecting the leather and leather product firms from going international. Therefore, here the researcher will review some of the previously conducted research works.

According to the study conducted by Gebreyohanes (2015) identified that government and other agents support for the export firm is not adequate. In addition to government support inadequacy, the researcher inidentifying the problems related to footwear exporting firms shows the main problem LLP's facing as mainly emanates from the firm itself. This is related to financial barriers, human resource barriers and product quality barriers.

Abdurahman(2012), found that firms specific capability, human resource capability, management and organizational capabilities will positively contribute to the performance of the leather and leather producing firms in the international market.According to the research made by Abdurahman shows, most of the Ethiopian leather and leather product producing firms operates at zero level capability. The term capability used by the researcher is to mean the ability of the employees and managers to possess new products to different market and assessing new markets for new products.

2.7.1. Conceptual frameworks

2.7.1.1.The Industrial Organization (I/O) View

The industrial organization (I/O) approach contends that external forces of the environment and the industry in which the firm competes have strong influence on firm's performances than internal forces have. The industry external factor evaluation (EFE) and the competitive profile matrix (CPM) will help firms to analyze external environment in general and the industry in specific.

- Economic forces
- Social, cultural, demographic, and environment natural forces
- Political, legal, and governmental forces
- Technological forces
- Competitive forces

2.7.2. The Resource Based View (RBV)

Assessing the internal resources will be more helpful to understand whether the operation that the organization is undergoing is complying with the intended objectives or not and will open the door for the necessary adjustments that should be made.

This approach considers internal resources as a firms competitive advantage and the proponents of this view believe that the internal resources are more important than the external factors in achieving firms overall competitive advantage. The RBV includes:

- Human resources
- Physical resources
- Organizational resources

Cater, 2005 further elaborated and proposed the following resources such as; information, research and development, manufacturing, quality management, logistics, distribution, marketing, finances, organization and leadership, human resources and intangible resources for a strong competitive potential.However, H. Rowe and et.al (1982) believes that matching the key internal success with external factors is quite more important in achieving overall organizational success than relying on internal or external factors to analyze the driving forces of the environment.

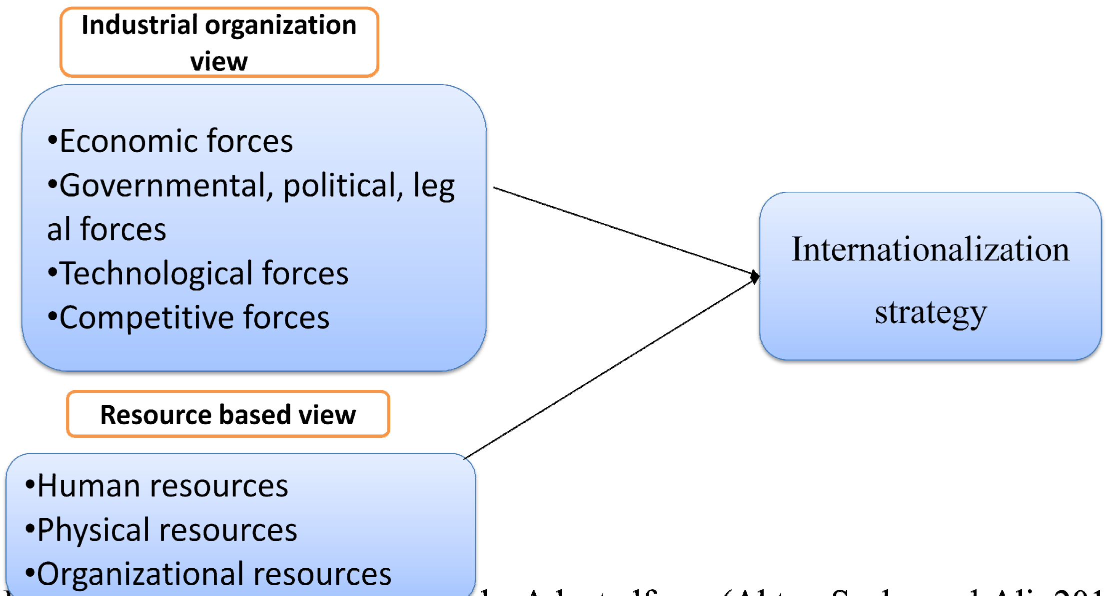


Figure 2. 2 Conceptual framework- Adaptedfrom (Aktar, Sachu and Ali, 2012) with some modification for suitability of this study.

CHAPTER THREE

METHODSOF THE STUDY

3.1 Research Methodology

Research methods are specific tools that help to make an investigation, which includes but is not limited to a questionnaire, journals and participant observations. For this research,a questionnaire is used to collect primary data, because questionnaires are less costly in terms of budget and time.

3.2 Research Design

The issue that involves executing and analyzing research is called research design and it comprises the method for collecting and analyzing data (Bryman, 2008). The research question is answered by using the research design.

This study focuses on external environmental and internal resource factors that are affecting the leather and leather product firms from entering into different overseas markets. In order to identify the factors affecting LLP internationalization strategydescriptive, correlation, and explanatory research design was used.

Descriptive: it helps to describe data in the study. Descriptive statistics provide information's about the variables in the data set and it tells the potential relationship between variables. It can be presented graphically, using measures of central tendency or measure of dispersion.

Correlation: uses to measure the degree to which the movements of various variables are correlated. The Pearson correlation helps to show the relationship of the variables.

3.2.1 Population, Sample, and Participants

Based on data extracted from the Ethiopian leather industry development institute (LIDI) 43 leather product manufacturing firms, 29 that engaged in tanning industries, 4 leather glove factories and 19 footwear producers are operating in Ethiopia.

It cannot be practicable to include all the population or the whole group in the study. Studying the whole group requires sufficient time and an adequate budget. Considering these constraining factors, this thesis has mainly focused on industries located in Addis Ababa and the surroundings Oromia region special zone.

Among LLP factories located in Addis Ababa, and the surroundingsspecial zone of Oromia Region, participants have been selected based on the standard sampling techniques. Following a standard sampling technique will help to enhance experimental variance and to strengthen the generalizability of the result.

Selecting a small sample size may lead to the underrepresentation of the whole population and this will make the survey unreliable. The same is true for a larger sample size where selecting a larger sample size will be cost inefficient and time consuming. To reduce the occurrence of such errors, a simplified approach which is introduced by Yamane (1967) will be employed.

- $n = \frac{N}{1+N(e)^2}$
- Where n is sample size, N is the population size, and e is the level of margin error. Depending on confidence interval, we will draw our sample frame.

Out of 43 LP industries in Ethiopia the researcher has selected 5 industries as a representative of the other industries. The study accepts 5% margin of error and confidence level of 95%.Assuming 9 participants from various departments; there will be 45 sample frames.

$LP(n) = \frac{45}{1+45(0.05)^2}$ =40

Following the same procedure,the researcher has drawn sample frame for footwear, tanneries and glove manufacturing industries. Therefore, the researcher has selected three footwear, three tanneries and two glove industries, based on the assumption that they represent the other firms.

Footwear (n) = $\frac{27}{1+27(0.05)^2}$= 25

Tanneries (n) =$\frac{27}{1+27(0.05)^2}$= 25

$Glove(n) = \frac{18}{1+18(0.05)^2}$= 16

For selecting of firms, stratifying sampling is applied. Stratified random sampling is a form of probability sampling. Stratify means to categorize people into groups according to some attributes they share. Thus, determination of samples for this thesis was based on geographical proximity and age of the firms.

Participants for this study were individuals who have deep knowledge of the company's operation, history and resources. Therefore, participantsor respondents of this research wereselected based on the role they assumein the company.

So, owners, CEO's, department managers and other responsible staffs; according to the organization's structure, are respondentsfor the questionnaire.

3.2.2 Data Collection Instruments, Variables, and Materials

Primary data is used to analyze and proffer solutions to problems that are bounding the industry. A well-developed questionnaire wasused to collect raw data from the sample selected.The questionnaireswere developed using both in English and Amharic languages. Apart from questionnaires, secondary data including journals, books, reports, research papers, and websites have been used.

The independent variables have been extracted fromalready developedtheoriesby various authors and academicians. The internal independent variables are the human resource factor, physical resource factor, and organization forces. Whereas external independent factors are economic forces, good political, legal, and governmental forces, technological and competitive forces. Additionally, the dependent variable in this research is- internationalization strategy.

Reliability and Validity Tests

Before proceeding to the main study data collection was conducted and a pilot sample test was done. The purpose of the pilot test was to evaluate the vagueness (interms of languages, clarity and structure) and to check for the feasibility, reliability and validity of measuring instruments. A pilot test/preliminary study was conducted on 15 respondents of which 1 footwear and 1 from leather products producing firm to evaluate the consistency and reliability of the responses by participants.

In research opinions and attitudes are measured by using various methods. Likert scale is one of the measuring methods of people's attitudes. According to a definition by Zikmund (2003), Likert scale allows people to react how strongly agree or disagree to cautiously designed statements that range from negative to positive attitudes. For a 51 items offered, respondents were asked to rate the most important problem ranging from strongly disagree(1) to strongly agree(5).

Cronbach's alpha was used to check for the reliability and validity of the measuring instruments covered in this study. A higher Cronbach's alpha implies a higher ofvalidity and internal consistency of the items presented. A reliability test result above 0.9 is considered as marvelous, 0.8- up to 0.89 meritorious, 0.7 upto 0.79 Middling, 0.6-upto 0.69 mediocre, 0.5 upto 0.59 miserable and below 0.5 unacceptable (Anderson, 2011). From table 3.1, a pilot test conducted on 15 respondents shows Cronbach's alpha of 0.845 and therefore it is considered as good and shows an internal consistency of measuring instruments.

Table 3.1. Reliability analysis

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.822	.845	51

Own survey result, 2021 SPSS output

3.2.3. Data Analysis Procedures

This researchis analyzed using the quantitative method. Industrial based (I/O) view and Resource-based view (RBV) will be further used as input to make an assessment of the external and internal environmental forces and will help to develop the questionnaires. Questionnaires are analyzed using the latest version of SPSS 26 software. To attain the core findings of the study, correlation and regression analyses were employed. The direction and the magnitude of the relationships between variables are identified by using correlation analysis.

A multiple regression analysis model was applied to give detailsof the relationship between independent variable dependent variables. Based on this, the analysis of the internationalization strategy was done using the regression model.

IS= α + β1 (HRF) + β2 (PRF) + β3 (ORF) + β4 (EF) + β5 (GPLF) +β6 (TF)+ β7 (CF)

Where IS= INTERNATIONALIZATION STRATEGY, α= CONSTANT, HRF= HUMAN RESOURCE FACTOR, PRF= PHYSICAL RESOURCE FACTOR, ORF=

ORGANIZATIONAL RESOURCE FACTOR, EF= ECONOMIC FORCES, GPLF=GOVERNMENTAL, POLITCAL AND LEGAL FORCES, TF= TECHNOLOGICAL FORCES, CF= COMPETITIVE FORCES and β1, β2, β3, β4, β5, β6 are coefficients of the independent variables.

A multiple regression analysis was used to analyze the impacts of the independent variables on the LLP's strategy towards internationalization or the dependent variable. The analysis obtained from the analysis was used to draw implications about which hypothesized factors have a high impact on a firm's internationalization strategy.

3.3 Ethical Issues in the Study

The researcher must obey ethical norms in safeguarding the privacy of participants involved and participation in the survey must also rely on the consent of the individuals. Acknowledging the sources used under investigation is similarly expected from the researcher. Accordingly, adhering to ethical norms will make the research trustworthy**.** Therefore, the researcher has conducted the research by taking into account all those mentioned and other unmentioned anticipated ethical issues.

CHAPTER FOUR

RESULTS, DISCUSSIONS AND INTERPRETATIONS

INTRODUCTION

This chapter deals with analyzing the factors affecting the internationalization strategies of LLP firms based on the theorieswhich have been discussed under theoretical parts of the study. The data obtained by collecting information using the structured questionnaire will be used to achieve the desired objective of the study.Computer programming software, SPSS 26 was employed to analyze the information obtained. Prior to the main part of the analysis and interpretation segment, the demographic characteristics of the respondentand the firm will be discussed. Regression, correlation, and explanatory analysis results were the main topics that will be discussed here in this chapter.

Analysis of response rate

Table 4.1. Analysis of response rate

Sample size	**116**
Responses	**98**
Response rate	**84%**
unusable response	**10**
Unusable response rate	**10%**
Usable responses	**88**
Usable response rate	**76%**
Refused to response	**6**
Rate of refusal	**6%**

Source: Field survey 2021

As illustrated in the above table 4.1, a total of 116 sample size of respondents was aimed to reach out for this survey. However, the researcher has able to distribute only 104 questionnaires and has collected 98 responses. The reason that accounts for not able to distribute the aimed total sample size is due to the closure of the giant and notable leather manufacturing firms namely;

Walia Tannery, Addis Ababa Tannery and Ok Jamaica Shoes. This has quite challenged the data collection processes.

Out of the collected questionnaires, 88 respondents who hold 76% response rate have filled the questionnaires properly. Whereas, 10 collected questionnaires which hold 10% of the total responses have no value for the investigation. From the total 104 distributed questionnaires 6 of the respondents have refused to respond to the questionnaire. The refusal rate is 6% of the total sample size disseminated.

Finally, with all the challenges faced in the data collection processes, the researcher believes that 76% response rate is very well for analyzing of the data.

Reliability test result

The reliability analysis which is conducted to test the data collected shows e Cronbach's alpha of 0.83, which lies' on meritorious category of reliability analysis.

Table 4.2. Overall reliability test

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.826	.830	51

Own survey result 2021, SPSS output

Regression Model Diagnostics

Normality Test

Normality of the data drawn should be checked before running the analysis. This is done to check whether the data drawn is from the normally distributed population or not.Skewness and kurtosis will help to check the normality of the sample data drawn. As a rule of thumb, if the data is normality distributed, the skewness and kurtosis result will fall between the range of -2 and 2. Therefore, from the table below we can conclude that the data normally distributed.

Table 4.3. Descriptive statistics of the independent and dependent variable

Descriptive Statistics

	N	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Human Resource Factor	88	.34096	-.285	.257	.059	.508
Physical Resource Factor	88	.32216	-.233	.257	1.045	.508
Organizational Resource Factor	88	.36035	-.609	.257	2.180	.508
Economic Forces	88	.29265	-.150	.257	1.342	.508
GPLF	88	.34485	-.133	.257	.309	.508
Technological Forces	88	.31534	-.013	.257	1.014	.508
Competitive Forces	88	.61754	-.744	.257	1.291	.508
Internationalization Strategy	88	.32928	-.414	.257	.838	.508

Linearity

To test whether the relationship between the independent and dependent variable is linear, we follow the assumption of linearity. When there is a linear relationship between the independent and dependent variable, the value of significance (sig) deviation from linearity will be greater than 0.05. Otherwise there is no linear relationship.

Table 4.4 :Assumption for linearity

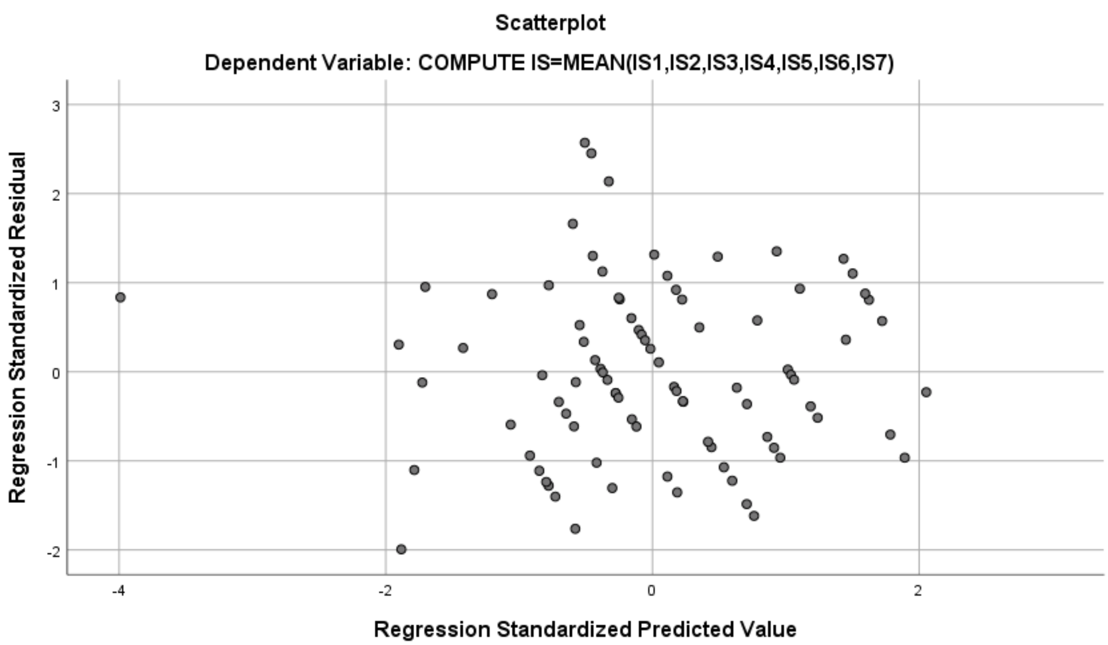
			Sum of Squares	df	Mean Square	F	Sig.
Internationalization Strategy	Between Groups	(Combined)	.998	17	.059	.487	.951
		Linearity	.007	1	.007	.055	.815
		Deviation from Linearity	.992	16	.062	.514	.931
	Within Groups		8.435	70	.120		
	Total		9.433	87			

SPSS output, 2021

The above linearity assumption table4.4 indicates, value of sig 0.931which is greater than 0.05 and therefore it can be concluded that there is a linear relationship between the independent and dependent variable.

Homoscedasticity

This is called the assumption of equal variance. According to this assumption even if the sample are from different area, they will have the same variance. In regression analysis, the data is assumed to havehomogenous variance. Therefore, in homoscedasticity the error term is the same across all the independent variables and it does not change the value of the predictor variable changes. If the data analysis fulfilled the assumption of homoscedasticity, and the scatter plot is not cone shaped, then there is consistency in the data. Based on the assumptions, we can conclude that there is no homoscedasticity problem.



Multicollinearity

The absence Multicollineriry is another diagnostic assumption tool in which the regression model should met. Multicollineriry happens when the independent variables are correlated with each other (Kline, 1998). The presence of Multicollineriryin regression model creates distorted information. Therefore,the correlation between the independent variable should be independent. The presenceof Multicollineriry in the model will be identified by using variance inflation factor (VIF) and tolerance. When there is a higher VIF value, there will be high a multicollinearity in the model. A VIF value less than or equal to 10, a tolerance level above 0.25indicates the absence of Multicollineriry in the model and the estimated result is said to be accurate and unbiased.

The below table 4.5 in accordance with the VIF rule, there is no value which is happened to be above 10. Therefore, it can be concluded that the regression model is found to be free of Multicollineriry and the estimates are accurate and unbiased.

Table 4.5:Assumption of Multicollineriry

	Collinearity Statistics	
Model (Independent Variable)	Tolerance	VIF
Human Resource Factor	.408	2.453
Physical Resource Factor	.356	2.808
Organizational Resource Factor	.413	2.422
Economic Forces	.431	2.320
GPLF	.404	2.475
Technological Forces	.323	3.091
Competitive Forces	.976	1.025

a. Dependent Variable: Internationalization Strategy

4.1. Demographic Characteristics of the Respondent and the firm

In this section, demographic profile of the respondent and the leather manufacturing firms is undertaken. General information including gender of the respondent, educational background of the respondent and the role they assume in the company were analyzed. In addition, the number of employees, the establishment age of the company, whether the firm is internationalized or not and the entry mode they have employed is presented with table.

4.1.1. Demographic Characteristics of the Respondent

As presented with the below table, from the total 88 participants for this survey 54 were male respondents which bear 61.4% of from the total participation. The remained 34 respondents were female participants with a 38.6% participation rate. According to this number, male participants hold the highest number of participation rates in relation to their female counterparts.

Of the total 88 respondents involved in this survey, 43 participants with 48.9% participation rate were from department managers, whereas 38 participants which account 43.2% of the total participation was from middle-level managers. And the remaining 4 questionnaires which accounts 4.5% of the total response rate and 3 questionnaire with 3.4% participation rate was from lower-level employees/experts and owners respectively. This clearly indicates that department managers and middle-level managers/supervisors who have the ability to know the industry in general and who easily understand the questionnaires easily have highly participated in this survey.

The final analysis conducted for this section was an educational background of the respondents. As it is clearly indicated in table 4.7, degree level holders have the highest participation rate with (58, 65.9%), masters (13, 14.8%), diploma (11, 12.5%), certificate (6, 6.8).

As indicated in table 4.7, all firms involved in this survey have international involvement experience. In relation to products, 31(35.2%) respondents were from finished leather/tannery producing industries, 29(33%) from leather producing firms, 20 (22.7%) from footwear, and the remaining 8 (9.1%) were from glove products producing firms. From the total 88 respondents, 83(94.3%) are from export specialized firms and 5 (5.7%) respondents are from wholly-owned firms.

With regard to the number of employees and number of years in business, 63 (71.6%) respondents were from firms that accommodate more than 100 employees and 25 (28.4%) were from firms that have below 100 employees. Firms who have been active for more than 25 years contributed 39 (44.3) respondents to this survey, 26 (29.5%) participants from firms who have been active between 21 to 25 years, 15 (17.0%) from firms who have been business between 11 to 20 years and 8 (9.1%) from firms who have been in business between 1 to 10 years.

Table 4.7.Demographic characteristics of the respondents.

No	Characteristics	Description	Frequency	Percent
1	Gender	Male	54	61.4
		Female	34	38.6
2	Position/Title	Owner	3	3.4
		Department manager	43	48.9
		Middle level manager/supervisor	38	43.2
		Lower level employee/expert	4	4.5
3	Educational Background	Certificate	6	6.8
		Diploma	11	12.5
		Degree	58	65.9
		Masters	13	14.8
1	International Involvement	Yes	88	100
		No	0	0
2	Products Type	Leather product	29	33.0
		Footwear	20	22.7
		Glove	8	9.1
		Finished Leather/Tannery	31	35.2
3	Entry Methods	Export	83	94.3
		Wholly owned subsidiary	5	5.7
3	Number of employees			
		Below 100	25	28.4
		more than 100	63	71.6
3	Years in Business	Between 1 to 10 years	8	9.1
		Between 11 to 20 years	15	17.0
		Between 21 to 25 years	26	29.5
		For more than 25 years	39	44.3

SPSS Output 2021

Descriptive statistics for Internationalization strategy challenges

Sampled firms that involved in this survey were asked to rate the external and internal internationalization challenges of which leather producing firms face using a five point Likert scale measurement. The Likert scale helps to measure someone's opinion, attitude and feelings.

1=strongly disagree

2= disagree

3= neutral

4=agree

5= strongly disagree

In table 4.7 shows,the variables under investigation consisting of total number of respondents, the mean and standard deviation is computed using SPSS 26.

4.2. Descriptive Statistics for Internationalization Strategy Challenges

Table4.8. Descriptive statistics for internationalization strategy challenges

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Human Resource Factor	88	3.25	4.89	4.2715	.34096
Physical Resource Factor	88	3.00	5.00	4.1810	.32216
Organizational Resource Factor	88	3.00	5.00	4.2648	.36035
Economic Forces	88	3.10	4.86	4.1198	.29265
GPLF	88	3.19	5.00	4.1983	.34485
Technological Forces	88	3.10	5.00	4.1923	.31534
Competitive Forces	88	1.29	4.55	3.4429	.61754
Internationalization Strategy	88	3.29	5.00	4.4006	.32928

Own survey result 2021

Fromthe above table, we can infer that the mean of human resource factor is 4.28 and its standard deviation is 0.340, physical resource factor (4.1, 0.322), organizational resource factor (4.2, 0.36), economic forces (4.1, 0292), government, legal and political forces (4.2, 0.344), technological forces (4.2, 0.31), competitive forces (3.44, 0.617), and internationalization strategy (4.4, 0.33).

The standard deviation measures the amount of variability in the sample mean and it shows how closely the population mean is likely to be represented or estimated by the sample mean(sulivan, 2014). The higher the standard deviation relative to the mean means respondents gave polarized opinions on a given same data. Whereas the lower standard deviation relative to the mean indicate that participants have close opinions and responses are concentrated around the mean. Therefore, depending on the above descriptive analysis we can conclude that participants have the same opinion on the survey forwarded to them and also we can say that the mean is a good fit of the data.

4.3. Correlation Analysis

A correlation is said to exist if and only if the value of one variable is associated with the value of another variable under investigation. Correlation investigates how strong is the relationship between the independent variables and the dependent variable? The correlation coefficient is interpreted as follows.

- Coefficient correlation, r= -1 means there is perfect negative correlation exists between variables
- Coefficient correlation, r= 1 means there is a perfect positive correlation between variables
- Coefficient correlation, r= 0 means there is no linear correlation.

However, a perfect positive or negative correlation between variables does not imply one affected the other. To analyze the correlation between independent variables; internal resource based factors (human resource factor, physical resource factor, organizational resource factor) and external industry analysis (government, political and legal forces, economic forces, competitive forces, technological forces and a dependent variable (internationalization strategy) Pearson correlation coefficient is used.

Table 4.9. Correlation statistics of the independent and dependent variable

		Correlations							
		Human Resource Factor	Physical Resource Factor	Organizational Resource Factor	Economic Resource Factor	Government, Political and Legal Forces	Technological Forces	Competitive Forces	Internationalization Strategy
Human Resource Factor	Pearson Correlation	1	.560**	.450**	.499**	.314**	.262*	.022	.747**
	Sig. (2-tailed)		.000	.000	.000	.003	.014	.840	.000
Physical Resource Factor	Pearson Correlation	.560**	1	.518**	.396**	.367**	.220*	.062	.595**
	Sig. (2-tailed)	.000		.000	.000	.000	.040	.568	.000
Organizational Resource Factor	Pearson Correlation	.450**	.518**	1	.442**	.412**	.234*	-.100	.531**
	Sig. (2-tailed)	.000	.000		.000	.000	.028	.356	.000
Economic Resource Factor	Pearson Correlation	.499**	.396**	.442**	1	.494**	.334**	-.010	.449**
	Sig. (2-tailed)	.000	.000	.000		.000	.001	.924	.000
Government, Political and Legal Forces	Pearson Correlation	.314**	.367**	.412**	.494**	1	.400**	-.006	.489**
	Sig. (2-tailed)	.003	.000	.000	.000		.000	.953	.000
Technological Forces	Pearson Correlation	.262*	.220*	.234*	.334**	.400**	1	-.020	.363**
	Sig. (2-tailed)	.014	.040	.028	.001	.000		.854	.001
Competitive Forces	Pearson Correlation	.022	.062	-.100	-.010	-.006	-.020	1	-.027
	Sig. (2-tailed)	.840	.568	.356	.924	.953	.854		.806
Internationalization Strategy	Pearson Correlation	.747**	.595**	.531**	.449**	.489**	.363**	-.027	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.001	.806	

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

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

Own survey result, 2021

According to the table4.9above, the correlation between the independent variables (Human Resource Factor, Physical Resource Factor, Organizational Resource Factor, Economic Resource Factor, Government, Political and Legal Forces, Technological Forces) and dependent variable (Internationalization strategy) is positive. But, the correlation between competitive forces and internationalization is weakwith r=-0.27.

Table.4.10 Pearson correlation result

Independent Variables	Dependent variable	Relationship
Human Resource Factor	0.747**	Positive
Physical Resource Factor	0.595**	Positive
Organizational Resource Factor	0.531**	Positive
Economic Resource Factor	0.449**	Positive
Government, Political and Legal Forces	0.489**	Positive
Technological Forces	0.363**	Positive
Competitive Forces	-0.027	Weak

Source: Pearson correlation Result, own survey

Based on the above table, the correlation coefficient between dependent variable and independent variable is as follows, r=0.747** for human resource factor, r=0.595** for physical resource factor, r=0.531** for organizational resource factor, r= 0.449** for economic resource factor, r= 0.489**for government, political and legal forces, r= 0.363**for technological forces, r=-0.027 for competitive forces.

4.4. Regression Analysis

To understand the linear relationship between variables, regression analysis is found to be the most essential data analysis technique. It helps to understand the causal effect of one variable on another (Alan O, 1993). When a variety of independent factors influences the dependent (outcome) variable, the investigator should use multiple regression analysis technique. Multiple regression analysis is helpful when we are dealing with large number of explanatory (predictor) variables.

Therefore, the multiple regression analysis helps to give insight the causal effect of the independent variables (Human Resource Factor, Physical Resource Factor, Organizational

Resource Factor, Economic Resource Factor, Government, Political and Legal Forces, Technological Forces) and on the dependent variable (Internationalization strategy).

4.4.1. Model Summary

Model summary tells us the relationship between the outcome variable and the predictor variable. The regression line's ability to account for the total variation in the outcome variable is illustrated by model summary. The regression analysis result obtained from r is between + 1 and -1. A perfect relationship between the variables is indicated by the coefficient +1 and the sign of the coefficient tells us the direction of relationship. The negative sign of the coefficient indicates, as one variable goes up the other variable will goes down. For a good model fit data which it's R squared (R^2) =1, then the R^2 of its outcomeindicates 100% of total variability accounted for by the regression.

Therefore, based on the below table 4.11 86.4% of the independent variables (Human Resource Factor, Physical Resource Factor, Organizational Resource Factor, Economic Resource Factor, Government, Political and Legal Forces, Technological Forces) explains the dependent variable (Internationalization strategy). The other unexamined variables by this survey explain the outcome variable by 13.6%.

Table 4.11 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.929[a]	.864	.852	.12680	.864	72.386	7	80	.000

a. Predictors: (Constant), Human Resource Factor, Physical Resource Factor, Organizational Resource Factor, Economic Resource Factor, Government, Political and Legal Forces, Technological Forces

b. Dependent Variable: Internationalization strategy

4.4.2. Anova Result

Anova helps to answer if there is any significant variability between the samples taken and if no difference between the samples is found, no need of going to find out the sample different from others in the experiment undergoing.Anova helps to test whether the regression model is a good fit of the data.

Table 4.12 shows that the predictor variables statistically significantly predict the outcome variable, F (7, 80) = 72.386 at $p<0.05$ and thus the model is a good fit of the data.

Table: 4.12 anova result

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.147	7	1.164	72.386	.000[b]
	Residual	1.286	80	.016		
	Total	9.433	87			

a. Dependent Variable: Internationalization strategy

b. Predictors: (Constant), Human Resource Factor, Physical Resource Factor, Organizational Resource Factor, Economic Resource Factor, Government, Political and Legal Forces, Technological Forces

Table 4.13: Regression Coefficients of factors affecting internationalization strategya

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	.383	.232		-1.651	.103			
	HRF	.168	.062	.174	2.690	.009	.764	.288	.111
	PRF	.237	.071	.232	3.356	.001	.816	.351	.139
	ORF	.134	.059	.147	2.281	.025	.761	.247	.094
	EF	.194	.071	.172	2.735	.008	.750	.292	.113
	GPLF	.199	.062	.208	3.208	.002	.770	.338	.132
	TF	.184	.076	.176	2.431	.017	.803	.262	.100

a. Dependent Variable: Internationalization strategy

IS= α + β1 (HRF) + β2 (PRF) + β3 (ORF) + β4 (EF) + β5 (GPLF) +β6 (TF) + β7 (CF)

Where: HRF= Human Resource Factor, PRF= Physical Resource Factor**,** ORF=Organizational Resource Factor, EF=Economic Forces, GPLF=Government, Political and Legal Forces, TF=Technological Forces, CF= Competitive Forces

This is the multiple regression equation that we use to show the level of relationship between the independent variable and dependent variable.

Depending onthe regression coefficient table 4.13, the following results havebeen obtained:

IS= 0.383+ 0.168(HRF) +.237(PRF) +0.134(ORF) +0.194(EF) +0.199(GPLF) +0.184(TF)

The above table 4.13 indicates,independent variables: human resource factor, physical resource factor**,** organizational resource factor, economic forces, government, political and legal forces, and technological forces have a P value of 0.009, 0.001, 0.025, 0.008, 0.002 and 0.017 respectively.Since their P valueis less than the significance level 0.05, independent variables highly determine and predict the dependent variable.However, competitive forces have no significant and positive relationship with internationalization strategy of leather and leather product producing firms. Because, a P valueof competitive forces is 0.207 which is above a significant level of 0.05.

Human resource factor affects the LLP's internationalization strategy positively and significantly with b coefficient 0.168 and beta coefficient 0.174. This means a highly trained, qualified,capable and motivated employees improve firm's internationalization strategyi,e. a one unit improvement in the human resource of a firm has resulted a 0.168 increase in firms internationalization strategy which is measured in terms of target market, entry mode and number of customer. Previously conducted studies also supported this finding. For example a survey conducted by Ting Zhang 2010, shows, a firm that contain with employees who have the right skill, abilities and employees who get competitive payment would play a major role during firms process of internationalization. Another study conducted by Antigegn (2019) and Abdurahman(2011) also supports this finding. According to Antigegn, an employee with knowledge about export practices and procedures will be an asset to firm's internationalization strategy. Tamirat(2014) also asserts firm that intends to internationalize should have capable staffs who identify cross cultural differences between the home and abroad market.

Physical resource that firms possess plays a significant and positive role on internationalization process of the firms with b 0.237 and beta 0.232. The coefficient shows that a one unit increase physical resource will result a 0.237 increment in firms international involvement. This means the use of modern production tools and equipmentswill result in producing higher quality products and this subsequently leads into an increased in overseas demand for the products. And therefore, this will prepare firms for a better internationalization strategy. However, this study contradicts with findings of Juan (2019). A study by Juan portrays that physical resource is not crucial for firms to process an internationalized market strategy.

According table 4.13, organization resources have found to have a significant effect on a firm internationalization strategy with b 0.134 and beta 0.147. The intangible asset that leather and leather product producing firms acquired can help to have an extensive overseas market strategy. Intangible organizational resources: well designed organizational strategy, strong planning process and employee's awareness about the mission, vision and goal of the firm, good organizational culture and being an innovative is essential to increase firm's international involvement. An experiment byAbdurahman(2011), Thomas (2004) and Anna (2010) is in line with this argument. According to Abdurahman, all strategic planning and decision in leather industry requires a team based approach and hence this will lead to a new product design and development.Capability of being an innovative in product designing spurs firms to pursue overseas market strategy.

As shown in the above table 4.13, economic forces have b 0.174 and beta 0.172. Since the coefficient for economic forces is significant and positive, it can be concluded that, economic forces have positive effect on internationalization strategy of Ethiopia's leather and leather product producing firms.

Favorable economic forces will play a major role for Ethiopia's LLP producing firms by helping them to acquire new market destinations, attracting new customers and also in increasing the volume of export. Economic forces incorporate variables such as foreign currency, tax rate and price. The country's stock of foreign currency will have a significant effect on firms operation. Since inputs like chemicals, used by Ethiopia's LLP firms are not produced locally, LLP firms have no chance other than importing them from abroad. And hence,this requires availability foreign currency and this depends on the country's economic status.

This is analysis is consistent with the finding (AbuBakaret al., 2012), foreign currency is a determinant factor to source raw materials from abroad, to conduct overseas market research, to hire technical experts from abroad and etc. Yehualashet (2015) has also asserted that financial competitive advantage of firms play will a vital role in firm's internationalization process.

Therefore, economic forces will affect Ethiopia's LLP firm's internationalization strategy.

Government, legal and environmental forces have positive and significant on overseas market strategies of leather and leather product producing firms found in Ethiopia. This is substantiated by the coefficient b 0.199 and beta 0.208. A weak trade policy towards items imported from abroad, political instability, lack export promotion programs and the occurrence of drought has affected the Ethiopian leather sector international market strategy. And also there are no adequate institutions that produce skilled manpower for the sector. This is also supported by previous findings such as Gebreyohannes(2015),Mpunga (2016) and Morawitz (1981). They both have asserted that encouraging support from the government and favorable environmental and legal factors will result in higher leather product export activities.

The last independent variable in this survey with positive and significant relationship is technological forces. It has b 0.184and beta 0.176 coefficient. Technological forces are found to have positive effect on firm's internationalization strategy. The easy access to internet, the availability of information and communication technologies, and the wider applicability of social media and other digital platforms have positively affected Ethiopia's leather firms in their strategy towards overseas market. But, this finding is not supported by Abdurahman(2011). He asserts that, technological forces do not directly contribute to leather firms export activity.

Competitive forces however found to be insignificant predictor for Ethiopia's leather firm internationalization strategy. Because, the P value of the competitive force variable is above significance level 0.05.

4.5. Hypothesis Testing and Interpretation of Results

From the total seven independent variable it is only competitive forces that have a negative and insignificant relationship with Ethiopia's LLP firm's internationalization strategy. But the remaining six independent variables have positive and significant relationship with leather sector overseas market strategy.

Hypothesis1 (***H1***): There is relationship between company's human resource and its internationalization strategy.

Overall result of the analysis shows that, the quality and adequacy of human resource that the firm's own will significantly affect the firm's process of internationalization. This is evidenced by the regression analysis result of b coefficient 0.168 with significance level $p < 0.05$.This implies, as the firms human resource has changed by 1%, the internationalization strategy will increase by 0.168. Thus:

: *H0 rejected*

: H1 is accepted.

Hypothesis2 (***H2):*** Availability of physical resource has significanteffect on LLP's export production capacity.

The regression analysis result has proved us there is a significant relationship between the firm's physical resource and its internationalization strategy. As the availability of physical resource of the firm increaseby1%, the LLP's internationalization strategy or export items will increase by 0.237. Thus:

H0 rejected

: H2 is accepted.

***Hypothesis* 3 (*H3*):** organizational resource will contribute to LLP's commitment to internationalization strategy.

Organization resource of the firm has a significant contribution towards firm's internationalization strategy with b coefficient 0.134 at significance level $p<0.05$. Therefore, the change in the organizational resource of the firm by 1% will follow by a 0.134 change in internationalization strategy of leather firms. Thus:

H0 rejected

: H3 is accepted.

***Hypothesis* 4 (H4):** Favorable economic forces have positive effect on firms' internationalization process.

As substantiated by the regression analysis, favorable economic forces will directly affect the leather firm's internationalization strategy. At significance level of $p<0.05$, economic forces have a b coefficient 0.194. That means a 1% change in economic forces will have a 0.194 in internationalization strategy of leather firms. Thus:

H0 rejected

: H4 is accepted.

Hypothesis 5(H5): Good governmental, political and legal forces will promote firms' internationalization process.

A regression analysis result shows that governmental, political and legal forces have a significant relationship with leather firms internationalization strategy with b 0.199 coefficient at significance level $p < 0.05$. We can conclude that a 1% change in governmental, political and legal forces will result a 0.199 change in leather firms overseas market strategy.

Thus:

H0 rejected

: H5 is accepted.

Hypothesis 6(H6): Advancement of technological forceswill facilitate firms' internationalization strategy.

Technological forces have a significant relationship with leather firms internationalization strategy with b 0.184 coefficient at significance level $p < 0.05$. We can infer that a 1% change in technological advancement will result in a 0.184 change in leather firm's internationalization strategy.Thus:

H0 rejected

: H6 is accepted.

Hypothesis 0 (H0): Competitive forces have no mediating effect on firms' internationalization process.

Competitive forces found to have an insignificant relationship with internationalization strategy process of Ethiopian leather firms. Because it has a P value above the significant level 0.05.

. Thus:*H0 accepted*

: H6 rejected

Table 4.14.Summary of the hypothesis result

Hypothesis	Independent variable	Dependent variable.	Relationship	Data analysis	Result
H1	HRF	Internationalization strategy	Positive	Correlation & Regression	Accepted
H2	PRF	Internationalization strategy	Positive	Correlation & Regression	Accepted
H3	ORF	Internationalization strategy	Positive	Correlation & Regression	Accepted
H4	EF	Internationalization strategy	Positive	Correlation & Regression	Accepted
H5	GPLF	Internationalization strategy	Positive	Correlation & Regression	Accepted
H6	TF	Internationalization strategy	Positive	Correlation & Regression	Accepted
H7	CF	Internationalization strategy	Positive	Correlation & Regression	Rejected

Source: Own survey, 2021

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION OF THE STUDY

5. Introduction

This last chapter presents the summarizedresults of the study. It has three constructed topics: conclusion, recommendations, limitations and finally it will give insight about future direction of the research.

5.1. Conclusion

The main objective of this study was to identify the factors that affect the internationalization practices of the leather sector with particular emphasis on the Ethiopian leather sector including tanneries, footwear producing firms, and leather product producing firms. To attain the research objective, the researcher has drawn three research questions and seven main hypotheses are formulated in the first chapter of the thesis. While developing the questions and hypothesises the researcher has based himself on a variety of theories mainly; internationalization theories and strategic management theories. Then the questions are categorized according to their attribute. For categorization purposes, the researcher has relied on the theory developed by Fred R (2011). Thus, questions were categorized under RBV which focuses on internal factors, and the I/O which assesses the external environment factors.

Most of the Ethiopian leather sector's overseas market practices mainly concentrate on the second stage of internationalization, which is export. In addition to this, they are also confined to limited market destinations. This will leave the income generated from the international market being low and unsatisfactory. For a country, like Ethiopia which is endowed with livestock resources, the leather sector should have been the main source of foreign currency earnings, source of employment and also should have been a center of intelligence for other country leather firms. Among leather firms that participated in this survey, only one company is a wholly subsidiary firm, while the rest are using export entry mode in their overseas market activities.

Many reasons can be traced that contributed to the ineffectiveness of the Ethiopian leather sector. Some of them might be emanating from the external environment and some of them might be from the firm itself. Careful scanning of the factors that affect the business operation is important to increase the firm's export performance.

The finding of this research has reached some conclusions regarding issues that are highly correlated with the Ethiopian leather sector internationalization strategy. The findings of this study are supported by many previous research works. Firms that try to join the international market might face several problems such as; human resources, physical resources, economic forces, technological forces, etc.

The human resource factor has a significant relationship with Ethiopia's leather firm internationalization strategy. Having a qualified and sufficient staff helps leather firms in their process of overseas market operation. A firm that envisions an overseas market, should have an adequate number of human resources needed for each department, should retain employees who have hands-on experience of the sector, should assess the competency of its employees, should provide training to its employee. A well-qualified and trained employee will help the firm in locating foreign market opportunities, in providing information about the foreign market challenges, and in identifying socio-cultural differences between the home and the host country market and propose strategies to follow in each country market they assessed. This is consistent with the work of OECD, 2009; Okpara&Koumbiadis, 2009; Pinho& Martins, 2010. Therefore, human resource is an important factor for firms' foreign market operation.

The physical resources that the firm holds also play a crucial role in the firm's foreign market operation activity. Using updated production tools, having an adequate number of production machinery, and applying modern production equipment give a firm a competitive advantage. Therefore, the availability of quality physical resources helps the Ethiopian leather firms to produce the intended output to the world market.

The physical resources that the firm holds also play a crucial role in the firm's foreign market operation activity. Using an updated production tool, having an adequate number of production machinery, and applying modern production equipment give a firm a competitive advantage. Therefore, the availability of quality physical resources helps the Ethiopian leather firms to produce the intended output to the world market.

Economic forces have a significant relationship with the leather and leather products producing firm's process of internationalization strategy. Economic forces related to taxation, price, and foreign currency have huge implications for a firm's activity. The more favorable it happens to be, the better performing the firm is going to be and vice versa. For example, a higher cost of borrowing (high-interest rate) will hamper the firm's ability to finance its operation. A high collateral requirement is also another factor that affects the leather firms' further internationalization process. Therefore, lacking sufficient capital will affect their local and overseas market operations. This is also supported by Nwachuwu et al., 2006. The foreign currency shortage is also another challenge that affects leather firms. Since the chemicals used for production processes are not produced locally, firms are obliged to buy them from abroad. But due to the problem of getting the foreign currency on time, they become exposed to financial losses and even close their manufacturing plants. Therefore, economic forces have a huge impact on the leather and leather product firms' overseas market strategy.

Government, political and legal forces have a significant relationship with the internationalization strategy of leather firms of Ethiopia. Trade policies that protect local exporting firms, export promotion programs, political stability, and institutions that produce skilled man power and other factors are important factor that affect leather firm's internationalization strategy.

Technological forces also have positive significance relationship with internationalization strategy of Ethiopian leather firms. The internet infrastructure of the country and the easy access of information and communication lines shape the firms overseas market operation. Therefore, technological forces have a significant impact on firm's internationalization strategy

5.2. Recommendations

Based on the finding achieved, the following policy recommendations are made to the concerned organ for the betterment of the leather sector.

- Leather firms should strive to improve their employees' skills; they should also assess the skill gaps of their employees, they should also apply a competitive payment structure which is important to retain experienced employees.

- The structure of an organization should be in line with the company's strategic objective. The plan outlined should be checked periodically against the target achieved.
- The leather firms in Ethiopia face problems related to issues like shortage of foreign currency, financial shortage, a high collateral requirement for bank loans, poor images for their products in overseas markets, etc. Considering the resource potential of the leather sector, the government must exert a great deal of effort in relieving the bottlenecks that impede the leather sector from joining the international market.
- The government should establish a less bureaucratic procedure for exporting firms, the government should protect local leather producers against foreign products, and the government should also prepare international exhibitions to promote products of local manufacturing firms.
- Nowadays, technological development has paramount importance to exporting firms. Therefore, the government should invest in establishing a strong IT infrastructure.

5.3. Scope, Limitations and Directions for Future Researches

Scope of the study: This study is limited with geographical coverage, methodologically, and conceptually. The study has focused on leather manufacturing firms located in Addis Ababa and the surrounding special zone of Oromia region of Ethiopia. The conceptual scope of this survey covers the RBV and I/O theory, other theories are not included. With scope related to methodological issues, only a questionnaire is employed. Stratified sampling technique was used for the questionnaire. From the total questionnaires disseminated, a 76% response rate was attained.

Limitations of the study:all studies face various limitations and this one is also no different from others. In research work, no study is inclusive of all the aspects of the study areas. There are many factors that affect the firm's operation, other than the factors mentioned here. For example, problems related to value chains, logistics, and transportation, etc are not dealt with in this survey. And also has focused on firms located in Addis Ababa and around Addis Ababa. Regardless of the limitations, the researcher has made effort to maximize the validity of the research.

Directions for future Researches: this research can be explored further by increasing the sample size and by incorporating more geographical areas. The challenges of the exporting firms will also be identified by including more factors like the value chain analysis, customer preferences, tastes, marketing issues, etc.

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SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY !

Survey Questionnaire

Dear respondents,

I am management department student of the Program“International Business (MSc) specialization on strategic investment management” atAddis Ababa University College of Business and Economics. Currently, I am conducting a research on the **“Factors affecting the internationalization strategies of Ethiopian manufacturing firms; the case of leather and leather product manufacturing firms.”**The information gathered will be used fully and with due attention to the academic purpose only. Therefore, I kindly request you to respond to the questions in this survey questionnaire. Finally, the information you provide will enable me to attain the purpose of the study.

Thank you in advance for your cooperation.

Part I

Company name ____________________

What type of product is your company producing?

Leather products ☐ Footwear ☐ Glove ☐ Finished Leather ☐

What is your role in the company?

Owner ☐ Top Level Manager ☐ Middle Level Manager ☐ Lower level ☐

Sex- Female ☐ Male ☐

Education level

High school diploma ☐ Degree ☐ Master ☐ PHD ☐

- How long your company has been active?

  Between 1 to 5 years ☐ between 6 to 10 years ☐ between 11 to 15 years ☐

  more than 15 years ☐

- Have you been involved in international trade? Yes ☐ No ☐
- If yes, which entry methods have you ever used?

  Piggy Back ☐ Sporadic Export ☐ Export ☐ FDI ☐

- If no, do you have the plan to go international in the future? Yes ☐ No ☐
- Please specify the time table________
- How many employees do you have?

  ≤10 ☐ ≤20 ☐ ≤50 ☐ ≥100 ☐

Part II

1= strongly disagree 2= disagree 3= neutral 4= agree 5 = strongly agree

Resource Based View					
Human resource Factors	1	2	3	4	5
We have adequate number of human resources for each departments					
HR department facilitates employees to take trainings that improve their technical and soft skills					
Our employees have high job related skills					
Our organization retains highly skilled labors					
Number of permanent level of employees is higher than contract level employees					
There is competitive salary, benefit remuneration, awards and job safety to employees					
Our company's employees have the right skills to produce for the world market					
We have multilingual marketing staff to communicate with overseas customers					
Our employees have the knowledge to locate foreign market opportunities					
Our marketing teams assess and provide us information about the physic distance of the overseas market					
There is lack of knowledge about export procedures and practices					
Physical resource	1	2	3	4	5
Our company uses modern and superior production tools and equipment which gives us competitive advantage					
We regularly look for possible updates to our tools and equipment					
The machinery in use of has superior quality to produce the desired output					
We have adequate machineries and tools					
Organizational resources/ Intangible	1	2	3	4	5

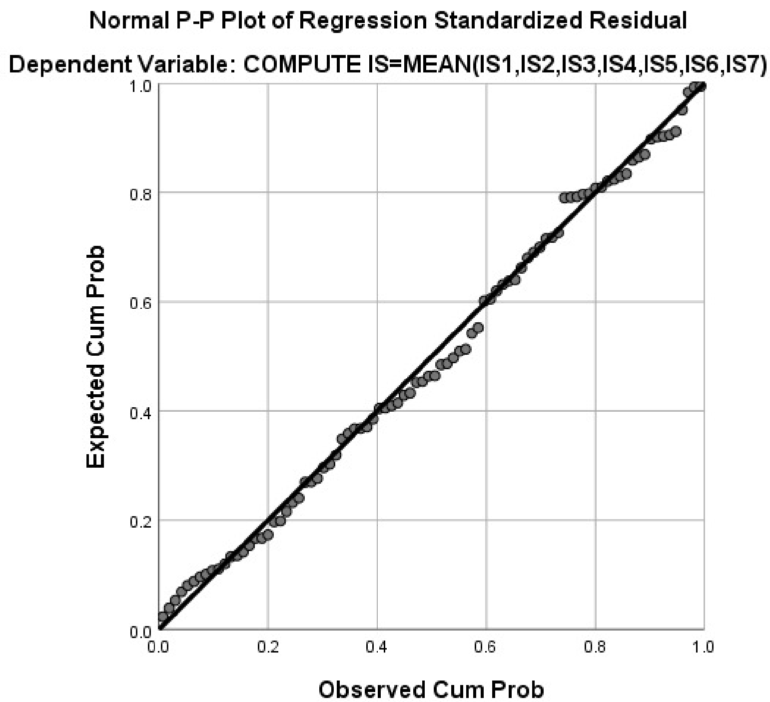
Our firm structure is well organized					
We have strong planning process					
Everyone in the organization is aware of the mission, vision and goals of the company					
our company brings new products to the market					
There is good organizational culture					
INDUSTRIAL ORGANIZATION VIEW					
Economic forces	1	2	3	4	5
There is a high cost of borrowing					
There is a high tax rate					
The collateral requirement from lending institutions is a serious constraint for the industry					
There is a difficulty in obtaining working capital timely from financial institutions					
There is a frequent raw materials price fluctuation					
Poor images for Items exported from developing countries in foreign potential markets					
Foreign currency shortage is a serious constraint for our company					
Good political, legal, environment and governmental forces	1	2	3	4	5
There are no established institutions that produce skilled manpower for companies engaged in the leather sector					
Institutions assist leather and leather product producing firms by providing trainings for employees’					
There is a weak trade policytowards imported items					
There is lack of export promotion programs sponsored by the government					

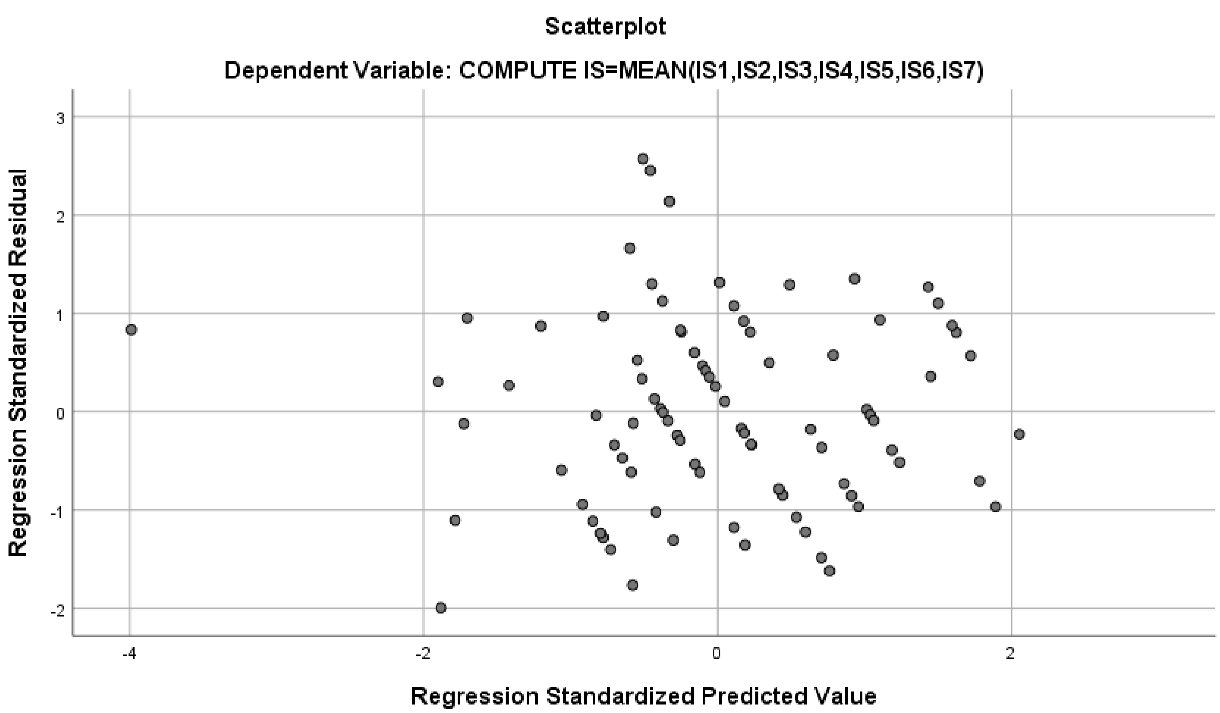
Little attention is given to the leather sector from the government side					
The political instability has adversely affected the supply of quality raw material					
Government institutions are not committed to overcome export impediments					
There is a restrictive foreign trade policy					
The frequent occurrence of drought is affects the supply of raw hides					
Technological forces	1	2	3	4	5
There is an easy access to internet infrastructure					
There is an easy access to information and communication technologies					
We use social media platforms to check for the trends in the global market					
Competitive forces	1	2	3	4	5
The leather product is highly sensitive to fashion					
The prevalence of synthetic products has affected the leather market					
There is strong competition from other foreign producers in potential markets					
There is a shift in demand from leather products to synthetic products					
There are many input supplying industries					
There is a high demand for our products locally					
The perceived value for our product in overseas market is low					

PARTIII

Internationalization Strategy	1	2	3	4	5
The capability and the adequacy of human resource plays an important role in crafting internationalization strategy					
Company's physical resource is a great asset to posses strategy towards overseas markets					
Organizational resources of the firm have improves firm's international market operation					
Economic forces directly affects overseas market operation					
Good political, governmental and legal forces will contribute to firm's overseas market operation					
The technology capability of firms in conducting international market opportunity researches					
The existence of fierce competition in the industry has posed a serious challenge in our overseas market operation					

Thank you!


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: COMPUTE IS=MEAN(IS1,IS2,IS3,IS4,IS5,IS6,IS7)
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0


Scatterplot
Dependent Variable: COMPUTE IS=MEAN(IS1,IS2,IS3,IS4,IS5,IS6,IS7)
Regression Standardized Residual
Regression Standardized Predicted Value
3
2
1
0
-1
-2
-4
-2
0
2