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**The Effect of Institutional Isomorphic Pressures on the
Internationalization Intensity of Firms in the Context of Developing
Countries: Evidence from Ethiopia**

By: Metasebia Timothiwos

Advisor: Yohannes Workaferahu (Ph.D)

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Addis Ababa, Ethiopia

Declaration

I, Metasebia Timothiwos, affirm that the thesis titled "**The Effect of Institutional Isomorphic Pressures on the Internationalization Intensity of Firms in the Context of Developing Countries: Evidence from Ethiopia**" is my original work. This thesis is submitted as part of the requirements for the MSc Degree in International Business, Strategic Investment Management. Yohannes Workaferahu, Ph.D., supervised the thesis completion.

I affirm that this work has not been submitted in whole or in part for any degree or diploma program at this or any other institution. I have acknowledged all sources of materials used in the thesis.

Declared By: - Metasebia Timothiwos

ID. Number: - GSE/8311/14

Signature: - 

Date: - January, 2024

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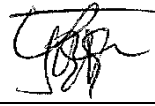
Signed by the Examining Committee:

Advisor:

Signature:

Date:

Name: Yohannes Workaferahu (PhD)



January 05, 2024

Internal Examiner:

Signature:

Date:

Name: Asres Abitie (PhD)



February 20, 2024

External Examiner:

Signature:

Date:

Name: Baymot Tadesse (PhD)



February 20, 2024

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Abstract

This study investigates the influence of institutional isomorphic pressures on the internationalization intensity of firms in developing countries, with a specific focus on Ethiopia. It identifies coercive, mimetic, and normative pressures as critical dimensions of institutional isomorphism. Employing an explanatory quantitative cross-sectional research design, data were collected via a questionnaire survey from firms listed in the ECCSA & ACCSA 2021/22 business directory, actively engaged in internationalization activities. Using Yamane's (1967) formula, a sample of 333 companies was selected from a total population of 2000, resulting in 285 valid responses. The analysis utilized Pearson correlation and multiple linear regression to explore causal relationships. The findings reveal that coercive, mimetic, and normative pressures significantly and positively influence the internationalization intensity of Ethiopian firms, driving them to pursue opportunities abroad, enter foreign markets, and expand internationally, with mimetic pressure showing a particularly strong correlation. This study's scope is limited to Ethiopian firms listed in two national business directories and those engaged in international activities, potentially constraining generalizability to all Ethiopian companies. Nonetheless, these limitations lay the groundwork for future research. The insights provided offer valuable guidance for policymakers and managers seeking to facilitate internationalization across a broader spectrum of Ethiopian firms, while also contributing to filling a gap in the existing literature concerning the Ethiopian context and enhancing understanding of institutional isomorphism's impact on internationalization.

Keywords: *Internationalization, Firm, Developing countries, Ethiopia, Institutional isomorphic pressures.*

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Acronyms

AACCSA	Addis Ababa Chamber of Commerce and Sectoral Associations
ECCSA	Ethiopian Chamber of Commerce and Sectoral Associations
EIC	Ethiopian Investment Commission
FDI	Foreign Direct Investment
GOE	Government of Ethiopia
MoTRI	Ministry of Trade and Regional Integration
M&A	Mergers and Acquisitions
NGOs	Non-Government Organizations
PIIM	Perceived Institutional Isomorphic pressures Measurement
R&D	Research and Development
SOEs	State Owned Enterprises
SPSS	Statistical Package for the Social Sciences
UNCTAD	United Nations Conference on Trade and Development

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The phenomenon of institutional isomorphic pressures encompasses the compelling forces and influences that steer firms toward adopting comparable structures, practices, and behaviours (Li & Ding, 2013). The term "isomorphic" originates from "isomorphism," denoting a likeness in form or structure (Saner & Medeni, 2018). Isomorphism, as elucidated by Beckert (2010), is the mechanism through which a firm's processes or structure become alike to those of another firm, either through imitation or independent development within comparable constraints. Institutional isomorphism, as conceptualized by DiMaggio and Powell (1983), characterizes the progression wherein firms within a specific field or industry progressively resemble each other in their structures, practices, and cultures. These isomorphic pressures materialize in three key forms: coercive pressure, mimetic pressure, and normative pressure (Boxenbaum & Jonsson 2017).

Chua & Rahman (2011), Burns & Wholey (1993), and Larson (1991), also states that firms face three types of pressures: coercive, mimetic, and normative. Coercive pressure refers to the pressure that firms experience due to government regulations (Zhu & Sarkis, 2007). Mimetic pressure arises from the need to emulate successful firms to reduce uncertainty (Ordanini et al., 2008). Normative pressure comes from the shared understanding and definition of norms and acceptable actions within the professional community (Hyatt & Berente, 2017). This study focuses on how institutional pressures shape the extent of internationalization intensity by firms in developing countries, specifically in Ethiopia. While existing research explores internationalization decisions, it often overlooks the unique context of developing nations (Slack & Hinings, 1994). This study seeks to fill that gap by examining how coercive, mimetic, and normative pressures influence Ethiopian firms' engagement in cross-border trade. To test the hypotheses presented in the thesis, the study gathered firm-specific data from the business directory publications of the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA) and the Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA). Additionally, questionnaires were distributed to randomly selected companies involved in cross-border trades. The findings offer valuable insights for Ethiopian firms and contribute knowledge

that applies to enterprises in other developing nations dealing with similar challenges related to isomorphic pressures in their decision-making processes regarding internationalization.

1.2. Statement of the Problem

The application of theoretical frameworks to study firms' internationalization intensity in developed market economies has been the subject of extensive research (Gaur & Kumar 2010). However, studies involving firms in developing countries have noticeably lacked a similar level of theoretical scrutiny, thereby leaving a gap in the existing literature (Dunning, 1988). This critical gap hampers the development of cohesive policies and strategies for internationalization by governments and managers (Kuada, 2006). Developing nations like Ethiopia grapple with a myriad of challenges affecting the intensity of firms' internationalization efforts (Abdu & Jibir, 2022). According to Azmat & Sanaratunge (2009), the challenges for developing countries range from internal factors such as the firm's resources, capabilities, and managerial expertise, to external factors like industry standards, cultural expectations, government regulations, and the professionalization of the business environment. However, the growing demand for emerging-market goods and services offers a potential reward for their resilience and adaptability (Tjan, 2012).

Yet, internationalization intensity in developing countries seems discouraging due to the scale, ownership structures, resource limitations, and managerial capacities of firms (Kuada, 2006). Some firms in these nations might be content with reaching an active export involvement stage and may lack ambitions for further growth, considering the risks of stretching beyond their optimal capacities (Vernon-Wortzel et al., 1988). Particularly in Ethiopia, where the internal and external business environments are exceptionally challenging, implementing internationalization strategies proves to be complex (Buli, 2017).

Ethiopian firms face several challenges when it comes to expanding their business internationally (Yigzaw, 2014). Despite the government's efforts to improve laws and provide incentives, bureaucratic hurdles still hinder their full engagement in international trade (Tefera, 2016). Additionally, political instability, inflation, currency shortages, market knowledge gaps, resource scarcity, financial constraints, and technology adoption issues further complicate matters (Yigezu, 2021). The Ethiopian government has revised laws and offered tax breaks, and investment incentives to improve the business environment. Studies have shown that these

efforts have had a positive impact on firms' internationalization efforts, although there are still challenges that need to be addressed. (Teshome & Geda, 2018; Adugna, 2022).

In Ethiopia, the conventional definition of internationalization has centred on import and export activities (Lakew, 2015). However, this study adopts a broader perspective, encompassing all firms engaged in expanding their economic activities into foreign markets. This includes entities involved in wholly owned subsidiaries, partnerships, joint ventures, Greenfield investments, mergers and acquisitions, direct and indirect exports, agents, distributors, and subsidiaries in foreign countries (Abdulmejjed, 2015). Therefore, this study investigates how firms in developing countries, specifically Ethiopia, respond to external institutional isomorphic pressures concerning internationalization intensity, considering the constraints and opportunities they encounter.

1.3. Research Questions

1.3.1 General question

How effectively can institutional isomorphic pressures (coercive, mimetic, and normative) induce internationalization intensity in firms in developing countries, especially in the case of Ethiopia?

1.3.2 Specific questions

1. How does the impact of coercive pressure influence Ethiopian firms in their pursuit of internationalization intensity?
2. How does the impact of mimetic pressure influence Ethiopian firms in their pursuit of internationalization intensity?
3. How does the impact of normative pressure influence Ethiopian firms in their pursuit of internationalization intensity?

1.4. Objectives of the study

1.4.1. General Objective

The study aims to unravel the distinct effects of coercive, mimetic, and normative institutional pressures on the internationalization intensity of firms in Ethiopia.

1.4.2. Specific Objectives

As the overall objective of this study is to examine the impact of institutional isomorphism on the internationalization of firms in Ethiopia, the specific objectives are to:

- Identify the effect of coercive pressure on firms in Ethiopia towards internationalization intensity.
- Determine the extent to which mimetic pressure influences firms in Ethiopia on their internationalization intensity.
- Investigate the effects of normative pressure on firms in Ethiopia on their internationalization intensity.

1.5. Significance of the study

The significance of this study lies in its potential to provide new insights into the internationalization process of firms in developing countries. The study focuses on examining three institutional isomorphic pressures (coercive, mimetic, and normative) and their impact on the intensity of internationalization (Li & Ding, 2013). The study also assesses the relative importance of these pressures in the Ethiopian context.

This study is significant for a number of reasons. First, it will provide a better understanding of the factors that influence the internationalization intensity of firms in developing countries. This knowledge can be used by firms to develop more effective internationalization strategies. Second, the study provides insight into the role of institutional isomorphic pressures in the internationalization process. This knowledge can be used by policymakers to create an environment that is conducive to internationalization.

The study is conducted at a firm level, which allows for the research to be a more in-depth analysis of the factors that influence internationalization. The study also used a mixed-method approach, which will combine quantitative and qualitative data (Östlund, 2011). This approach allows a more comprehensive understanding of the internationalization process (Hurmerinta & Nummela, 2011). The research will make a significant contribution to the literature on internationalization and institutional isomorphism by providing practical insights that can be used by firms and policymakers to promote internationalization in developing countries. According to Johanson and Vahlne (1977), it seems reasonable to assume that, within the frame of economic and business factors, the characteristics of this process influence the pattern and pace of internationalization of firms. The study can give an idea, and also be a guideline not only to firms who are engaged in the international market but also to those who are yet contemplating the idea. This study also examined the motivation factors of firms toward internationalization. In addition to the traditional motivations of asset exploitation, asset seeking, and maximization of

economic benefits, the study explored whether firms' internationalization can be explained as a strategic reaction to gain acceptance and experience within the international market (Moghaddam, 2014).

1.6. Scope of the study

The study is conducted in Ethiopia and focuses on firms engaged in internationalization activities, such as import/export, wholly owned subsidiaries, partnership, joint venture, etc. The research sample will be drawn from the lists of business firms that are members of the ECCSA and the AACCSA. These lists include firms that have a multinational capacity based on their capital and cross-border business activities. The study used a mixed-method approach, which will combine quantitative and qualitative data that will be collected through a survey. The survey was distributed to selected firms in both hard copy and electronic format, as per the preferences of the companies.

1.7. Limitation of the study

The study acknowledges several limitations that warrant consideration. Firstly, it was confined to Ethiopia, potentially limiting the generalizability of its findings. Secondly, the survey targeted companies listed in specific Business Directories, namely the ECCSA, and AACCSA, primarily centred in urban hubs such as Addis Ababa, Dire Dawa, and Hawassa. While these locations are significant for cross-border operations in Ethiopia, the exclusivity may not fully capture the diversity of businesses across the country. Thirdly, the absence of cluster data collection poses challenges in comprehensively understanding sector-specific variations in response to institutional isomorphic pressures. Moreover, by focusing solely on companies already engaged in international business activities, the study may overlook insights relevant to firms experiencing isomorphic pressures but yet to venture into global markets. Despite these constraints, the study significantly contributes to understanding the dynamics of isomorphic pressures in firms' international expansion strategies, thereby enabling more informed and strategic decision-making in global endeavours.

1.8. Organization of the Study

The study is organized into five chapters, each fulfilling a specific purpose. Chapter 1 provides a comprehensive introduction to the study, including background information, research questions,

and the study's objective. Chapter 2 conducts a thorough review of the literature, focusing on isomorphic pressures, internationalization intensity, and the interrelation between these concepts. Chapter 3 explores the study's methodology, discussing data sources and model specifications. In Chapter 4, the outcomes of the data analysis are presented using descriptive and inferential statistics. Finally, Chapter 5 summarizes the study's findings, draws conclusions based on the results, and offers recommendations for future research endeavors.

1.9. Definition of Key Terms

Internationalization: the process by which a firm expands its business operations beyond its domestic market to engage in activities such as exporting, establishing international joint ventures, collaborating with foreign companies, initiating wholly owned factories or greenfield investments abroad, and engaging in overseas mergers and acquisitions.

Firm: is an organization or business entity engaged in economic activities such as production, distribution, or provision of goods and services.

Developing countries: are nations characterized by relatively lower levels of economic development, infrastructure, and industrialization compared to advanced or developed countries.

Ethiopia: is a landlocked country located in the Horn of Africa, known for its diverse cultural heritage, ancient history, and significant economic potential.

Institutional isomorphic pressures: refer to external forces exerted by social, cultural, and regulatory institutions that shape the behavior and practices of organizations within a specific environment.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Theoretical Review

2.1.1. Concept and Definition of Isomorphic pressures

Isomorphism is a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions (DiMaggio & Powell, 1983). The researcher further explains that isomorphism can result because non-optimal forms are selected out of a population of firms or because organizational decision makers learn appropriate responses and adjust their behaviour accordingly. Furthermore, Jajaet. al., (2019) identifies Isomorphic pressures as the forces that influence and shape institutions in the society as well as the internal practices of firms within a given environment; and were identified as manifesting in the trio of coercive, normative, and mimicry isomorphism. Jaja et.al. (2019) argued that the complex, dynamic, and competitive nature of the business environment presents firms with constant and immeasurable challenges emanating internally and externally. These challenges exist due to several factors, but mostly they could exist due to industry standards, shifts in customers' preferences, government regulations, inflation, competitors' new moves, cultural expectations, government mandates, influences arising from professionalization, technology adaptation, etc. As per the view of Koontz and Weihrich (1999), firms exist in isolation, but all firms and their environments are rather mutually interdependent. According to Wobodo et.al., (as cited in Akani, 2015) the survival of every firm operating in a vibrant and competitive business environment has so much to do with how effectively they learn to adapt themselves to the environment and capitalize on their scarce resources adequately. For the reasons mentioned above, firms always tend to closely observe and scan the business environment to catch up and stay fierce within the competition.

According to Jaja et.al. (2019), firms may consider adopting and implementing a change and development agenda based on the results of these assessments. This would involve reconfiguring their internal operational processes and structures to resemble those of other firms that they perceive as defenders and prospectors (i.e., pacesetters) in the field. This would ultimately lead to institutional isomorphic change.

2.1.2. Attributes of Institutional Isomorphic Pressures

Several scholars have delved into the effects of institutional isomorphic pressures on the extent of internationalization. However, DiMaggio and Powell (1983) as well as Scott (2008) have delineated the manifestation of these pressures. The attributes of the institutional isomorphism framework prove valuable for comprehending the impact of these pressures on the internationalization intensity of firms (Toinpre et al., 2018). As per DiMaggio and Powell (1983), firms may be guided in their decision-making by (i) Coercive pressure, stemming from the necessity to comply with government requirements, obtain favourable treatment, fulfil government expectations for securing bank loans, and secure government funding. (ii) Mimetic pressure, involving the emulation of successful organizations, competition in international markets, and the adoption of internationalization strategies to gain a competitive edge. (iii) Normative pressure, originating from professional associations that set standards and advocate for autonomy. Firms may strive to meet these standards, as well as industry norms, and assess how internationalization could impact their internal norms and values. Figure 1 illustrates the three attributes of institutional isomorphism.

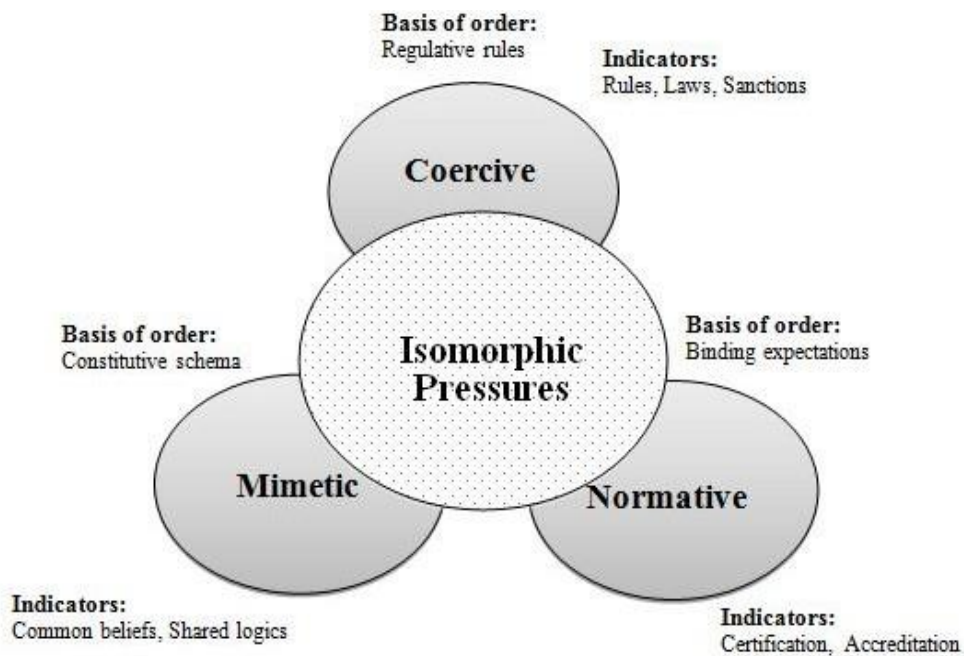


Figure 1: Attributes of institutional isomorphism.

Adapted from DiMaggio and Powell (1983) and Scott (2008): [Pp, 175]

2.1.3. Types of Isomorphic pressures

In this study, the isomorphic pressures employed align with those identified by DiMaggio and Powell (1983). Their study outlines three mechanisms for institutional isomorphic change, each with a distinct nature: 1) coercive isomorphism, driven by governmental mandates; 2) mimetic isomorphism, arising from the imitation of other firms' structures based on the belief in their benefits; and 3) normative isomorphism, linked to professionalization.

- **Coercive pressure and internationalization intensity**

Coercive isomorphism constrained by the owners of firm resources results from formal and informal pressures of other firms upon which the firm is dependent and of society's cultural expectations (Roszkowska & Aluchna, 2018). In response to the formal and informal pressures, firms tend to change their usual way of doing business by changing organizational strategies as well as structures aligned with government mandates and policies (Aragòn-Corr, 2020). Government control and action, or more generally state intervention, has consistently been understood as playing a central function in initiating the structural transformation of organizations (Deng, 2009).

While Ethiopia offers several opportunities, the market also has challenges (Shibru & Sodo, 2017). The government is engaged in a gradual process of economic reform and liberalization, and the state remains heavily involved in most economic sectors (Ferede & Kebede, 2015). The GOE retains control over the utility sector and prohibits foreign ownership of banking, insurance, and financial services (even though nowadays the policy for privatizing these sectors is in process). SOEs dominate the economic landscape, reducing room for the private sector to flourish (International Trade Administration, 2022).

Not only that, but Ethiopia also has a tight policy when it comes to access to land and finance (Rahmato, 2017). The 1995 Ethiopian Constitution draws a broad framework for land policy in the country and enshrines the concept of public land ownership and the inalienability of landholdings (Soboka, 2022). The Ethiopian constitution asserts state ownership of land; there are no private property rights in land (Crewett & Korf, 2008). Constitution 1995, Article 40 sub-article 3 states: "The right to own rural and urban land, as well as of all natural resources belongs only to the state and the people of Ethiopia (Bezabih & Goshu, 2022). Access to finance is a key factor determining firm expansion, especially for SMEs in developing countries (Beck, 2006). A lack of access to external finance is thought to be a key bottleneck for enterprises' growth in

Sub-Saharan African countries, for several reasons, including high collateral requirements for bank loans (Aryeetey, 1998). In Ethiopia, the value of the collateral required to borrow can be up to twice the value of the loan (Hassen & Usman, 2020).

UNCTAD (2023a) reported that, to acquire capital resources owned by the government and to enable business operations, firms in developing economies are driven to adopt practices and structures that are distinct or accepted as legitimate by government bodies. Yigzaw (2015), states that in developing economies specifically in Ethiopia in terms of internationalization, government policies, regulations, incentive packages towards taxation are the common driving forces that are actively forcing, encouraging, and supporting domestic firms to embrace internationalization. Therefore, in Ethiopia's experience usually firms are motivated to internationalize to exploit the advantage that comes from the expectation of the government (Al-Kwafi et al., 2020).

Many firms from developing countries are now investing abroad to enhance their competitiveness by acquiring market access, technology, skills, natural resources, and R&D facilities; they are also improving efficiency and building international brand names (UNCTAD 2023b). Governments have recognized the developmental impact of this recent phenomenon and have introduced several support policy measures, ranging from liberalization and reforms of the regulatory environment to active promotion of FDI, regional integration has also played a role in encouraging outward investment by developing countries firms (UNCTAD, 2007). Accordingly, the Ethiopian government has put attractive admission and regulatory incentive schemes in place for foreign investors (Ethiopian Investment Commission, 2017). Incentives that include regulatory schemes such as the guarantee against expropriation or nationalization by the provision of the Investment Proclamation No. 280/2002 (World Intellectual Property Organization, 2023). Ethiopia is also a signatory of the Multilateral Investment Guarantee Agency and has concluded bilateral investment promotion and protection treaties with 30 countries (Tamiru, 2019). As per Tigsti & Rezene (2022), investors in Ethiopia enjoy the privilege of full repatriation of profits, dividends, principal, and interest payments on external loans in convertible currency. Additionally, they have the right to employ expatriate managers and experts. As highlighted by the Ethiopian Investment Commission (2017) Ethiopia also practices double taxation avoidance treaties with 18 countries and implements highly competitive fiscal incentive schemes.

Li & Ding (2013) argue that motivated by the above coercive pressure initiated from government laws, regulations, and policies, firms are being drawn towards an internationalization strategy. As a result, a considerable number of firms have begun to seek global presence by becoming involved in overseas M&A. Hence, coercive pressure resulting from government policies, rules, and regulations can be a forceful drive for firms to internationalize (Child & Rodrigues, 2005). Based on the above discussions about coercive pressure we can extract the following hypotheses: ***Hypothesis 1 (H1)***: Coercive pressure has a positive and significant relationship with the internationalization intensity of Ethiopian firms.

- **Mimetic pressure and internationalization intensity**

Mimetic isomorphism in organization theory refers to the tendency of an organization to imitate another organization's structure because of the belief that the structure of the latter organization is beneficial (DiMaggio & Powell, 1983). Mimetic pressure is caused by the need to cope with uncertainty by imitating organizations perceived to be more legitimate or more successful. When goals are ambiguous, or when the environment creates symbolic uncertainty, organizations may model themselves on other organizations, especially those that are perceived as successful (Li & Ding, 2013; Burns & Wholey, 1993; DiMaggio & Powell, 1983). In mimetic routes, firms will copy legitimate and successful counterparts in their business environment to be legitimized as well, thereby resulting in institutional isomorphism (Justin & Obara, 2019; DiMaggio & Powell, 1983). According to Li and Ding (2013), mimetic pressure may cause a firm to change over time to adopt similar practices as other organizations. That is, imitation of other organizations is not only out of competitiveness, but it is most likely to acquire legitimacy or social fitness in a wider social structure. Lieberman and Asaba (2006) argue that mimetic pressure is a common form of behaviour that arises in a variety of business domains, in that firms imitate each other in the introduction of new products and processes, but commonly the practice happens to avoid falling behind or to take advantage of market entry information. Due to the uncertainty and riskier nature of internationalization, firms tend to imitate competitor's foreign expansion strategies such as market entry, choice of entry mode, or local operational strategy (Salomon & Wu, 2012; Delios et. al., 2008; Li et. al., 2008; Guille'n, 2002; Davis et. al., 2000). Firms should learn from the failure experience of first-entrant firms and imitate successful strategies that already exist (Yang et. al., 2009). Sometimes competitors go a long way to mislead their rivals. Jaja et. al. (2019) argues that relying on the superficial or the observable behaviour of such organizations

can be misleading as it could be a mere ploy situated to confuse their competitors in the field. For mimetic pressure to work the mimicking organization must have the modelled organization's history, resources, personnel, budget, skill sets, or processes that worked for the successful organization, or else, mimicking attempts may be less than successful (Katopol, 2016).

Naturally, firms in developing countries are more sensitive than their counterparts in developed countries to mimetic isomorphism because the environment faced by firms in developing countries is volatile and fast-changing (Li et. al., 2008). Usually, it's a developing country firm's practice to rely on imitating the entry decisions of peers from their home country, especially in locations where the degree of government interference is very high (Li& Yao, 2010). Hence, the drive of mimetic pressure towards internationalization practices sometimes even results in competition for the same opportunity.

Hypothesis 2 (H2): Mimetic pressure has a positive and significant relationship with the internationalization intensity of Ethiopian firms.

- **Normative pressure and internationalization intensity**

According to Krell et. al. (2016), normative pressures are defined as the pressures that stem from norms which are specified by institutions such as professional or industry associations. Two aspects of professionalization are important sources of isomorphism. One is the restoration of formal education and of legitimation in a cognitive base produced by university specialists; the second is the growth and elaboration of professional networks that span organizations and across which new models diffuse rapidly (DiMaggio & Powell, 1983).

According to Larson (1991), normative pressure comes from the common intellectual base of shared understanding and definition of the norms and legitimated actions within the professional domain. Gabriel and Chizi (2019) suggest that normative isomorphism (the similarity arising from professionalization) occurs due to strict dedication towards professional conventions and standards by members working in an organization, which also facilitates institutional convergence when members of a given profession such as institutions, e.g., professionals association. Individuals who occupy similar positions across a range of organizations and possess a similarity of orientation may develop a similar understanding of action and therefore shape organizational behaviour towards homogeneity (Li & Ding, 2013). According to DiMaggio and Powell (1983), normative pressure becomes evident through inter-organizational channels such as firm–supplier and firm–customer networks because norms are spread through

relational channels among members. And the spread of norms among network members increases the strength of these norms. As a result, individual organizations change their behaviours to show conformity to shared norms. Firms with direct or indirect relationships with other firms that have adopted a practice are likely to be influenced to behave similarly (Burt, 1982). While various kinds of professionals within the organization may differ from one another, they exhibit much similarity to their professional counterparts in other organizations (DiMaggio & Powell, 1983).

Normative isomorphism is also encouraged through filtering of personnel that occurs through the hiring process. Firms hire individuals that are trained and educated in similar institutes and work in similar organizations having similar experiences and behaviours (Meyer & Rowan 1977). These individuals within the professional world are expected to behave in a certain way, communicate, or behave in a certain way; societies have common expectations for these individuals. Not only that, but they are also expected to have a certain style of code of dressing, and language/vocabulary, standard methods of speaking, joking, or addressing others (Ouchi, 1980; Williamson, 1975; Cicourel, 1970).

DiMaggio & Powell (1983), they further state that government recognition of key firms or organizations through grant or contract process may give these organizations legitimacy and visibility and lead competing firms to copy aspects of their structure or operating procedures in the hope of obtaining similar rewards. When firms are functioning within a commonly valued behaviour way of doing business more likely they will be accepted by their potential business partners, to be considered to have greater potential and profitability opportunities (Li & Ding, 2013; Yamakawa et. al., 2008). To a considerable extent, the internationalization of some firms stems from conformity to globalized business partners, including both suppliers and customers (Cheng 2008). Dunning (1995) also states that competitive advantage is no longer limited to the firm itself; instead, it is largely based on close relationships with business partners. Hence, Firms are encouraged and motivated towards homogeneity structures and attitudes of their counterparts in order to exist together.

Hypothesis 3 (H3): Normative pressure has a positive and significant relationship with the internationalization intensity of Ethiopian firms.

2.1.4. Internationalization Intensity

Many studies on the internationalization process argue that firms internationalize not only for economic benefits but also to respond to inward and outward pressures (DiMaggio & Powell, 1983). In the era of globalization, internationalization is essential for firms to survive in the competitive international market. According to Mathews (2006), internationalization intensity is the increasing interconnectedness of the world's economies, cultures, and people. It is characterized by the integration of financial systems, trade liberalization, deregulation, and market opening (Stuart, 2006). It also leads to pressures towards cultural, economic, and social homogeneity. Johanson and Vahlne (1977) define internationalization as "the process of increasing involvement in international operations." They argue that internationalization is a gradual process and that firms typically move through a series of stages as they become more involved in international markets. Cavusgil and Woodcock (1986) describe internationalization as "the process by which firms increase their awareness of, and involvement in, international markets." They argue that internationalization is a multidimensional process, and that it can involve a variety of activities, such as exporting, licensing, franchising, and foreign direct investment. Buckley and Casson (1993) define internationalization as "the process by which firms extend their operations beyond their domestic market". They debate that internationalization is a strategic decision and that firms internationalize to achieve certain objectives, such as increasing sales, accessing new markets, or diversifying their risk.

According to Welch and Luostarinen (1988), internationalization intensity is "the process of increasing involvement in international operations." Their study further explains the meaning by saying "An important reason for adopting a broader concept of internationalization is that both sides of the process, i.e., both inward and outward, have become more closely linked in the dynamics of international trade. This definition hints that internationalization intensity is a development that begins with a "must-do" and progresses through analysis, design, implementation, testing, and decision-making (McConnell, 1982). According to Pereira (2016), inward internationalization is defined as the set of purchase and production operations, such as import products, machinery, raw materials, knowledge acquisition, and co-production of goods with a foreign company in the domestic market. Forms of inward internationalization include franchising, licensing, and joint ventures established in a firm's home country with foreign firms

(Korhonen et. al., 1996); outward internationalization occurs outside the firm's home country in the form of exports, licenses, and foreign direct investment (Karlsen et. al., 2003).

2.2. Empirical Review

Expanding into international markets is complex and requires extensive research to properly understand firm internationalization processes (Zahra, 2005). While the impact of isomorphic pressures on developing economies remains a subject of ongoing exploration, research has delved into both developed and emerging markets (Marquis & Raynard, 2015). This research has been able to identify the main forces/ pressures behind the decision of internationalization, factors that influence firms and to what extent is been answered by these studies. According to DiMaggio and Powell (1983), the factors that influence a firm's decision to internationalize can be broadly categorized into home country factors, firm-specific factors, and industry factors. Home country factors encompass the overall environment and conditions of the firm's home country, which can influence the decision to internationalize in various ways (Yiu et al., 2007). Dunning (1988) argues that firms from countries with strong economies and supportive governments are more likely to internationalize than firms from countries with weak economies and less supportive governments. This is because strong economies provide firms with the resources and opportunities they need to expand into new markets, while supportive governments can provide financial assistance, trade agreements, and other forms of support that can help firms overcome the challenges of internationalization (Wan, W. P. 2005).

Firm-specific factors are the characteristics of the firm itself that can also influence the decision to internationalize (Kotha et al., 2001). For example, firms with strong financial resources, a track record of innovation, and a strong brand are more likely to internationalize than firms that lack these resources (Rugman & Verbeke, 2004).

Industry factors are the industry in which the firm operation can also influence the decision to internationalize (Javalgi et al., 2003). For example, firms in industries that are characterized by high levels of competition and rapid technological change are more likely to internationalize than firms in industries that are less competitive and have slower rates of technological change (Porter, 1980). During the internationalization process, various factors will be considered, including the pace of internationalization and the success achieved in the international market (Casillas, 2013). Not all firms take the same pace and not all will have the same result (Taylor & Jack, 2013). DiMaggio and Powell (1983) state that once a firm has decided to internationalize, it

must decide how quickly to expand into foreign markets. The speed at which firms venture into international markets is influenced by a range of factors, including the availability of resources, risk tolerance, and the competitive landscape in foreign markets (Acedo 2007). Similarly, the success of internationalization efforts can be assessed using various metrics, such as sales growth, market share, and profitability (Johanson & Wiedersheim, 1975).

2.2.1. Conceptual Framework

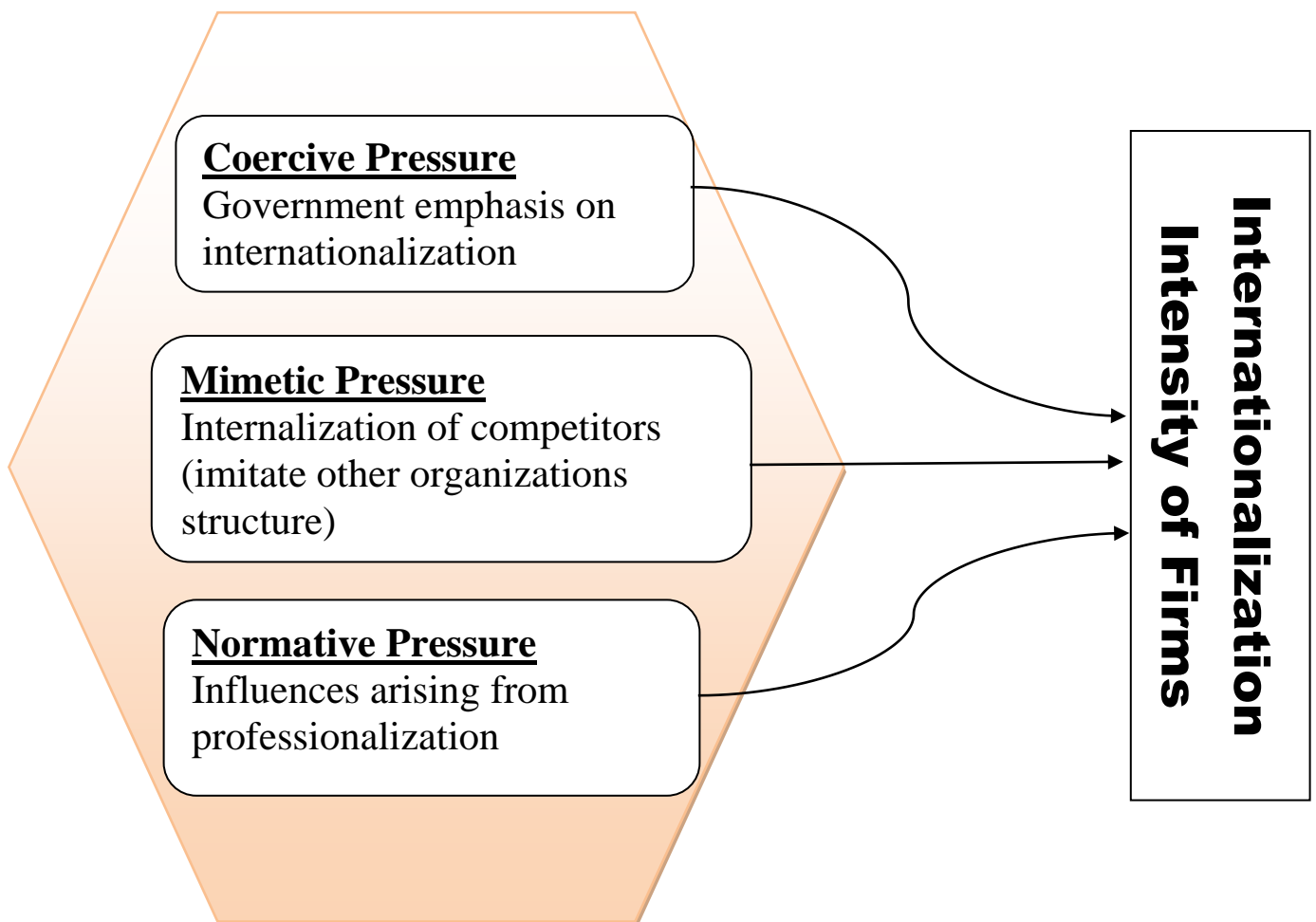


Figure 2: Conceptual Framework.
Source: Adapted from Li & Ding (2013).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Description of the study area

This chapter explains the methodological framework employed for data collection and analysis. The research design, data collection strategies, sampling techniques, and data analysis and interpretation methods are outlined.

3.1.1. Research Design

This study employs an explanatory quantitative cross sectional research design, as defined by Arias (2006), to uncover the underlying causes and effects of the phenomenon under investigation. Explanatory research is a widely used approach in the social sciences, particularly in situations where the causal relationships between variables are not always clearly defined (Marini 1988). This study analyzes the relationship between institutional isomorphic pressures and internationalization of firms in developing countries like Ethiopia. Data was collected using a survey method and analyzed to identify various factors that impact this relationship. The study recommends the use of this data by policymakers and businesses to develop strategies that promote internationalization in Ethiopia.

3.1.2. Data Types and Sources

The careful selection of a data collection method is vital to accurately answering research questions (Kelley, K. 2003). This study employed primary data collection to achieve its objectives. Primary data was favored due to its ability to provide the raw material necessary for understanding the perceptions of relevant parties within the research domain. Surveys were conducted to gather primary data from managers and owner-managers of randomly selected firms.

3.1.3. Sampling and Data collection

To examine all hypotheses, data collection involved surveying a sample of 333 firms from a total population of 2000 companies in Ethiopia engaged in cross-border activities, as listed in the ECCSA and AACCSA business directory for 2021/22. The sample size was determined using the simplified formula proposed by (Yamane, 1967). According to the Ethiopian business license registration and investment permit process; these companies obtained their investment permit from the EIC and their license and registration from the MoTRI.

The managers and owners-managers of selected firms were asked to complete a questionnaire regarding their internationalization activities. The firms chosen for the study were those that had engaged in at least one type of internationalization activity in different sectors, having a license and registration of sole-proprietorship, private limited company, Share Company, and others. The selection criteria for the firms were based on their engagement in internationalization activities, such as exporting, setting up an international joint venture, partnering with foreign companies, establishing a wholly owned factory or Greenfield investment abroad, and conducting overseas mergers and acquisitions.

3.1.4. Survey Instrument

This study employed two research instruments, having three distinct sections. The 1st section utilized the firms' background information assessment instrument, developed by (Hirpo, 2020), to gather data on the background details of the randomly selected firms, including their essential international activities. The 2nd section aimed to assess three types of isomorphic pressures, treated as independent variables (Coercive pressure, Mimetic pressure, and Normative pressure), and the 3rd section focused on measuring the dependent variable (Internationalization Intensity), utilizing a questionnaire adapted from the works of (Li and Ding, 2013) and (DiMaggio and Powell, 1983). For the 2nd and 3rd sections respondents were required to rate their level of agreement with each statement using a 5-point Likert scale, which ranged from "strongly agree" to "strongly disagree".

3.1.5. Sampling Technique and Population

3.1.5.1. Target Population

The target population of the study was firms involved in international business in Ethiopia, with a focus on companies located in Addis Ababa, Dire Dawa, and Hawassa. These cities and regions were selected because they are members of different business membership organizations such as the ECCSA, AACCSA, or other regional institutions. In addition, due to the location of the industrial zone area.

3.1.5.2. Sampling Technique

Sampling is often a necessity due to the impracticality or impossibility of studying the entire population (Brown & Marshal, 1995). By drawing a sample, researchers can enhance the feasibility of the study while still obtaining reliable results. Diamantopoulos (2004) defines a population as an aggregate of individuals or entities from which a sample will be drawn.

Conversely, a sample is a subset of individuals or companies carefully selected from an identified population with the aim of extrapolating the findings to the entire population (Levy & Lemeshow, 2013). Due to its ease of use, cost-effectiveness, efficiency, and flexibility, convenience sampling was utilized for participant selection in this study. Specifically, individuals directly involved in managing their firm's international trade activities were selected.

3.1.5.3. Sample Size

Considering the total population of the study, the sample size was determined using Yamane (1967) simplified formula. As stated by this researcher, for a 95% confidence level and $p=0.5$ the size of the sample would be:

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

Where: N = Total Population; e = Precision Level; n = Sample Size, where confidence level is 95%.

$$SampleSize = \frac{2,000}{1+2,000(0.05^2)} = 333 \text{ observations} \quad (2)$$

3.1.5.4. Reliability Testing

In this study, the reliability of the instrument for both dependent and independent variables was evaluated through Cronbach's alpha. Cronbach's alpha is commonly utilized to gauge the internal consistency of questionnaires, especially those employing a Likert Scale (Bujang et al., 2018). The assessment of the questionnaire's reliability was conducted using SPSS and Cronbach's alpha (See Table 1). As highlighted by Pallant (2020), a Cronbach's alpha value exceeding 0.7 indicates strong internal consistency within the survey instrument.

Table 1. Reliability test result

Types of pressures	Cranach's Alpha	Cranach's Alpha Based on Standardized Items	No of Items	Comment
Coercive pressure	.746	.754	4	Reliable
Mimetic pressure	.735	.752	3	Reliable
Normative Pressure	.714	.701	3	Reliable
Internationalization Int.	.950	.961	3	Reliable

Source: Own Survey, SPSS output

3.1.6. Methods of Data Analysis and Interpretation

Descriptive statistics were employed to characterize the phenomena under study at the time of data collection. This involved calculating frequency distributions, standard deviations and means. The Statistical Package for the Social Sciences (SPSS) version 20 was utilized to conduct these analyses. Furthermore, multiple regression analysis was employed to investigate the causal relationships between the variables of interest. The Pearson correlation method was applied to assess the strength of association between the independent and dependent variables.

3.1.7. Model Formulation and Specification

The study investigated firms' perceived degree of internationalization intensity using multiple linear regression models. Multiple regression assesses the extent to which variations in the dependent variable can be elucidated by independent variables (Orme & Combs-Orme, 2009). Additionally, it highlights the relative significance of each independent variable. The equation for the multiple regression model is as follows: -

$$\text{Model as } PII = \beta_0 + \beta_1 CP + \beta_2 MP + \beta_3 NP + \varepsilon, \quad (3)$$

Where: PII = Perceived Internationalization Intensity; β_0 = Constant; β_1 to β_3 = Slope;

CP = Coercive Pressure; MP = Mimetic Pressure; NP = Normative Pressure = Standard Error.

3.1.8. Validity of the Study

Validity, as per Kumar (2011), pertains to how well a researcher has measured the intended construct. To evaluate the questionnaire's validity, a pilot test was conducted with 34 companies, representing 10% of the overall sample size of 333 (Connelly, 2008). Furthermore, incorporating input from participating firms, the questionnaire underwent revisions aimed at enhancing clarity of technical terms and refining question specificity.

3.1.9. Ethical Consideration

This research adhered to the ethical guidelines outlined by Saunders et al. (2009), which emphasize the importance of safeguarding research participants' confidentiality, privacy, and anonymity. Throughout the research process, these ethical principles were strictly followed. All participants were informed about the study's purpose and objectives, and their informed consent was obtained. They were also assured that their responses would be kept confidential and that only the researcher would have access to the survey data. Following the distribution of 333 questionnaires in both hard copy and electronic formats, 285 valid responses were received. As promised, the privacy of these respondents was protected, and all personal data was kept confidential and used solely for the study.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF RESULTS

The purpose of this chapter is to present the results of the analysis and the findings using descriptive and inferential statistics. The data collected from the survey questionnaire were carefully coded, checked for consistency, and entered the SPSS spreadsheet, performed with SPSS version 20. This section comprises descriptive and inferential statistics. Descriptive statistics present findings on demographic, independent, and dependent variables. Inferential statistics, conducted through multiple linear regression analysis, examine the collected data to evaluate the influence of independent variables on the dependent variable. Multiple regression analysis is employed to ascertain whether one or more predictors affect the outcome variable and to discern the direction (positive or negative) of such influence.

4.1. Survey Results

The study utilized a random sampling technique to select 333 firms from the target population of 2000, following Taro Yamane's simplified formula for determining sample size. Questionnaires were distributed using a mixed-mode approach, with 150 distributed as hard copies and 183 sent electronically via Google Drive. A total of 285 firms responded, comprising 107 hard copy responses and 178 electronic responses, resulting in a robust response rate of 85.58%, surpassing benchmarks set by Babbie (1990). Despite 48 non-responses, the analysis proceeded confidently with 285 valid and complete responses, resulting in a zero-rejection rate.

4.2. Demographic characteristics of respondents

Table 2. Demographic characteristics of respondents

No	Items	Category	Frequency	Percentage
1	No of Companies responded.	285		
2	Position in the firm	Owner-Managers	85	29.8
		General Manager	78	27.4
		Marketing Manager	83	29.1
		Finance Manger	14	4.9
		Project Manager	12	4.2
		Other	13	4.6

3	No. of employees within the firm	1-50	92	32.3
		51-100	164	57.5
		101-200	18	6.3
		>200	11	3.9
4	Types of Business Ownership	Sole Proprietorship	89	31.2
		Private Limited Company	95	33.3
		Share Company	74	26.0
		Other	27	9.5
5	Firm establishment years	Less than 1 year	11	3.9
		1 – 5 years	47	16.5
		6- 10 years	133	46.7
		More than 10years	94	33.0
6	How many Export Market does the Firm have	1 - 2	102	35.8
		3 - 4	153	53.7
		5 - 6	25	8.8
		More than 6	5	1.8
7	Types of int. business transaction	Direct export	158	55.4
		Indirect export	65	22.8
		Subsidiary Company	23	8.1
		Other	39	13.7

Source: Own survey, SPSS output.

In the survey, the initial question, concerning the company name, was optional, resulting in many respondents leaving it unanswered. The subsequent question inquired about participants' job titles, revealing that a majority held managerial positions. Among the respondents, 85 (29.8%) identified as firm owners-managers, 78 (27.4%) as general managers, 83 (29.1%) as marketing managers, 14 (4.9%) as finance managers, 12 (4.2%) as project managers, and 13 (4.6%) held other management roles. The tabulated results highlight that the largest proportion of respondents were firm owners-managers and general managers, closely followed by marketing and finance managers. In contrast, project managers and individuals in other management roles exhibited comparatively lower respondent numbers compared to the other categories. The survey question about number of employees within the firm unveiled that 57.5% of respondents operate businesses with 51-100 employees, indicating a significant presence of small and medium-sized

enterprises in the market. The second-largest cohort (32.3%) comprises businesses with 1-50 employees, underscoring a vibrant startup ecosystem. A smaller fraction of respondents manages businesses with 101-200 employees (6.3%) or over 200 employees (3.9%), suggesting fewer large-scale enterprises in the market. Nonetheless, large businesses remain pivotal to the economy. Overall, the survey underscores that the majority of participating businesses are small and medium-sized, a promising indication given their pivotal role as drivers of economic growth. Moreover, regarding the survey inquiry concerning the varieties of business ownership that each firm is involved in, the distribution was as follows: 31.2% (89) were Sole Proprietorships, 33.3% (95) were Private Limited Companies, 26% (74) were Share Companies, and 9.5% (27) belonged to other ownership classifications. Notably, Private Limited Companies emerged as the primary form of business ownership among respondents, succeeded by Sole Proprietorships and Share Companies. In response to the survey question about the length of time their companies have been in operation, the results indicate that 3.9% (11 participants) reported operating for less than one year, 16.5% (47 participants) reported being operational for 1-5 years, a majority of respondents (46.7%, or 133 participants) reported a length of 6-10 years, and 33% of respondents reported being in business for more than 10 years. According to responses to the survey question on export markets and product offerings, most participants (53.7%) reported having 3-4 export markets, followed by 35.8% with 1-2 export markets. A smaller percentage reported having 5-6 export markets (8.8%) or more than 6 export markets (1.8%). The findings suggest that most companies provide a limited selection of 3-5 products and services to their customers. Some companies, however, offer a broader range, possibly influenced by factors such as limited resources, lack of experience, or a focus on a specific niche market. It appears that many companies prioritize the quality of their export markets and product offerings over quantity, aligning with the principles outlined by Porter (1980). The findings from a question, focusing on types of international business transactions, reveal that 55.4% (158 respondents) engage in direct product and service exportation, involving direct contact with buyers. This suggests active participation in all aspects of international business transactions, from finding buyers to shipping goods. The next largest group, 22.8% (65 respondents), exports indirectly through intermediaries like trading companies, benefiting those new to exporting or lacking resources for self-management. A minority, 8.1% (23 respondents), operates through a subsidiary company, enjoying advantages like access to local markets and reduced regulatory costs. The remaining

13.7% (39 respondents) use other means for international business transactions. In summary, the data indicates a trend toward increased direct involvement in the international business transaction process among firms exporting products and services.

4.3 Descriptive Analysis

Al-Sayaad et al. (2006) put forth guidelines for interpreting Likert scale results, relying on two statistical measures: the mean and standard deviation of responses to each scale question. These criteria serve as a standardized method for analyzing Likert scale data, ensuring accuracy and reliability in interpreting the significance of findings. The guidelines help maintain consistency in the interpretation of data obtained through Likert scales, contributing to the overall reliability of the results.

Table 3: Likert’s-scaled criteria

No	Mean	Standard Deviation	Response option
1	4.50-5.00	0.00-0.50	Strongly Agree (Very High)
2	3.50-4.49	0.50-1.49	Agree (High)
3	2.50-3.49	0.50-1.49	Undecided/Neutral (Medium)
4	1.50-2.49	0.50-1.49	Disagree (Low)
5	1.00-1.49	0.00-0.50	Strongly Disagree (Very low)

Source: Al-Sayaad et al. (2006)

Table 4: Descriptive Statistics on Coercive Pressure towards Internationalization Intensity

Coercive pressure indicators	N	Minimum	Maximum	Mean	Std. Deviation
There is a need to satisfy the government’s requirements and expectations	285	3.00	5.00	4.6246	.63030
There is a need to receive favorable treatment from the local government’s favorable treatment	285	3.00	5.00	4.6456	.57288
There is a need to gain bank loans by fulfilling local government’s expectation	285	1.00	5.00	4.6526	.77960
There is a need to gain government funding (any arrangement whereby firms receive part or all its financial support)	285	3.00	5.00	3.3088	.70917
Average	285	2.5	5.00	4.3079	.672988

Source: Own Survey, SPSS output.

The results from Table 4 display the mean and standard deviation of respondents' agreement levels regarding coercive pressure for firms' internationalization intensity. Notably, respondents strongly agreed with statements such as the need to gain bank loans by fulfilling local government expectations (mean of 4.65, standard deviation of 0.78) and the need to receive local government's favorable treatment (mean of 4.64, standard deviation of 0.57). Similarly, the statement about satisfying government requirements and expectations received strong agreement, with a mean of 4.62 and a standard deviation of 0.63. Conversely, the statement "There is a need to gain government funding" received lower agreement, with a mean of 3.31 and a standard deviation of 0.71. In summary, the findings suggest that local government pressure played a role in motivating respondents to internationalize their firms, particularly to meet expectations for securing bank loans and favorable treatment.

Table 5: Descriptive Statistics on Mimetic Pressure towards Internationalization Intensity

Mimetic pressure indicators	N	Minimum	Maximum	Mean	Std. Deviation
Major competitors of your firm increasingly operate abroad on the international market	285	1.00	5.00	3.9263	.53554
Those competitors have greatly benefited who have adopted internationalization	285	3.00	5.00	3.9754	.22850
Those competitors who have adopted internationalization are favorably perceived by other market players in the same industry	285	3.00	5.00	4.6667	.65363
Average	285	2.33	5.00	4.189467	.472557

Source: Own Survey, SPSS output

Table 5 illustrates respondents' agreement levels regarding memetic pressure for firms' internationalization intensity, providing mean and standard deviation values. The statement "Those competitors who already have adopted internationalization have greatly benefited" received the highest agreement rating, with a mean of 4.67 and a standard deviation of 0.65. The second-highest agreement pertained to "Those competitors who have adopted internationalization are favorably perceived by other market players in the same industry," with a mean of 3.97 and a standard deviation of 0.23. Respondents agreed with the third question, "Major competitors of your firm increasingly operate abroad on the international market," resulting in a mean of 3.93 and a standard deviation of 0.53. This suggests that internationalized

competitors are generally viewed positively by others in the industry. In summary, the analysis indicates that while responses to mimetic pressure may vary, it generally has a positive impact on a firm's internationalization efforts, as firms aim to avoid falling behind their competitors.

Table 6: Descriptive Statistics on Normative Pressure towards Internationalization Intensity

Normative pressure indicators	N	Minimum	Maximum	Mean	Std. Deviation
The extent to which your firm wants to meet a standard set by professional associations, (the collaboration of firms within the same industry, to share knowledge, and resources, support each other, and They can also lobby on behalf of their members.)	285	1.00	5.00	3.1439	.51424
The extent to which your firm wants to meet industry standards (a specification that is designed to ensure products or services meet a certain level of quality or performance).	285	1.00	5.00	3.8421	.55632
The extent to which internationalization impacts your firm's internal norms and values, such as customer service, teamwork, communication, integrity, innovation, diversity/ inclusion, etc.	285	3.00	5.00	3.2842	.61661
Average	285	1.67	5.00	3.4234	0.56239

Source: Own Survey, SPSS output

Table 6 provides descriptive statistics from survey respondents on normative pressure toward the level of internationalization of firms, evaluating three statements. The first statement, assessing a company's adherence to standards set by professional associations, received a mean score of 3.14 and a standard deviation of 0.514, indicating a moderate level of agreement. The second statement, measuring a company's desire to meet industry standards for quality or performance, received a mean score of 3.84 and a standard deviation of 0.556, suggesting a strong level of agreement. The third statement, exploring the impact of internationalization on a company's internal values and norms, received a mean score of 3.28 and a standard deviation of 0.617, indicating a moderate level of agreement. Overall, the results suggest a positive correlation between normative pressure and firms' level of internationalization. Companies may feel compelled to conform to industry standards and expectations, motivating them to internationalize. Additionally, international expansion may be seen as an opportunity to enhance internal values and norms. In conclusion, the study indicates that normative pressure positively

influences a company's level of internationalization, suggesting that companies adhering to industry standards are more likely to expand into international markets.

Table 7: Descriptive Statistics on Internationalization Intensity

Internationalization Intensity	N	Minimum	Maximum	Mean	Std. Deviation
Efforts to explore opportunities abroad	285	1.00	5.00	4.2702	.63411
Efforts in entering foreign market	285	3.00	5.00	4.1263	.74459
Efforts to expand international operations	285	1.00	5.00	4.0456	.84838
Average	285	1.67	5.00	4.147367	0.74236

Source: Own Survey, SPSS output

In Table 7, the level of internationalization intensity of a company is assessed based on participants' ratings of the company's attitude and actions toward global expansion using three criteria. The results indicate a positive relationship with the company's perceived internationalization intensity. The first criterion, "Efforts in exploring opportunities abroad," received a high rating with a mean score of 4.27 and a standard deviation of 0.634, indicating agreement. The second criterion, "Efforts in entering foreign markets," also received a high rating with a mean score of 4.13 and a standard deviation of 0.74. The third criterion, "Efforts in expanding international operations," received a highly positive rating with a mean score of 4.04 and a standard deviation of 0.848. Overall, participants generally agreed with the statements, affirming a positive relationship between the assessed criteria and the company's perceived internationalization intensity.

4.4. Inferential Analysis

Inferential data analysis is a method that involves concluding a larger population based on data obtained from a sample (Watson, 2008). It relies on random sampling to ensure the representativeness of the sample. The size of the sample and the variability in the data impact both the sampling error and the confidence interval, crucial measures for assessing the accuracy and reliability of the results (Andereck, 2017). In simpler terms, inferential data analysis enables researchers to move beyond merely describing a sample and make broader inferences about the entire population from which the sample is drawn. This is feasible using probability and statistical models, allowing researchers to account for the fact that their sample represents only a small subset of the larger population.

4.4.1. Pearson Correlation Analysis

Correlation is a measure of the relationship between two variables. When the variables are correlated, a change in one variable is associated with a change in the other variable. The correlation can be positive, meaning that the variables move in the same direction, or negative, meaning that they move in opposite directions (Schober et.al, 2018). Freedman et.al. (2007) explains, the most common type of correlation is the Pearson correlation coefficient. This is a measure of the linear relationship between two continuous variables, and it is typically used for data that is normally distributed. While a correlation of 1 indicates a perfect relationship, a correlation of -1 indicates a perfect negative relationship, meaning that the variables move in opposite directions. Hypothesis tests and confidence intervals are utilized to evaluate the statistical significance of the correlation coefficient and to estimate the strength of the relationship in the population from which the data were sampled. The correlation analysis, conducted using SPSS version 20 and presented in Table 8, reveals that all three types of isomorphic pressures demonstrate a positive and statistically significant correlation with the degree of firms' internationalization intensity. Specifically, coercive pressure shows a correlation of $r(285) = 0.510$, $p < 0.05$; mimetic pressure demonstrates a correlation of $r(285) = 0.787$, $p < 0.05$; and normative pressure exhibits a correlation of $r(285) = 0.715$, $p < 0.05$, all indicating a positive correlation. This suggests that the magnitudes of the correlation between all the variables are high and statistically significant. Notably, mimetic pressure has the highest correlation coefficient, followed by normative pressure and coercive pressure.

The results indicate that firms are more inclined to internationalize when confronted with mimetic pressure, reflecting the tendency to conform to the behavior of other firms in their industry. Additionally, firms are more likely to internationalize in the presence of normative pressure, signifying the pressure to conform to the expectations of society and stakeholders. While coercive pressure, involving compliance with government regulations and laws, also positively influences internationalization, its impact is moderate compared to the more substantial effects of mimetic and normative pressure. In summary, mimetic and normative pressures appear to exert stronger influences on firms' decisions to internationalize than coercive pressure. The correlation coefficients for the three isomorphic pressures (coercive, normative, and mimetic) indicate a strong influence on the dependent variable (internationalization intensity). This aligns with guidelines suggested by Field (2013), where correlation coefficients

of 0.1-0.29 indicate a small effect, 0.3-0.49 indicate a moderate effect, and above 0.5 indicate a large effect. In the current study, the correlation coefficients for all three isomorphic pressures surpass 0.5, indicating a substantial impact on internationalization intensity. This suggests that coercive, normative, and mimetic pressures exert a collectively strong influence on the firms' level of internationalization.

Table 8: Pearson correlation analysis

		II	CP	MP	NP
II	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	285			
CP	Pearson Correlation	.510**	1		
	Sig. (2-tailed)	.000			
	N	285	285		
MP	Pearson Correlation	.787**	.530**	1	
	Sig. (2-tailed)	.000	.000		
	N	285	285	285	
NP	Pearson Correlation	.715**	.231**	.480**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	285	285	285	285

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

Source: Own Survey, SPSS output

4.5. Diagnostic Analysis

4.5.1. Autocorrelation Test

The Durbin-Watson statistic, a test for autocorrelation in a regression model's output, ranges from zero to four. A value of 2.0 indicates zero autocorrelation, values below 2.0 suggest positive autocorrelation and values above 2.0 indicate negative autocorrelation (Durbin & Watson, 1950). Table 9 reveals that the correlation analysis between the dependent and independent variables resulted in a Durbin-Watson statistic of 1.377. This value suggests the presence of positive autocorrelation in the regression model's output, indicating that there is a systematic pattern of positive correlation between successive residuals.

Table 9: DW correlation test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.885a	.783	.780	0.203	1.377

a. Predictors: (Constant), NP, MP, CP

b. Dependent Variable: Internationalization Intensity

Source: Own Survey, SPSS output

4.5.2. Multicollinearity Test

Multicollinearity occurs when there is a strong correlation among the independent variables in a regression model. This correlation can complicate the interpretation of each predictor variable's individual impact on the outcome variable and may lead to unstable and unreliable regression coefficients, compromising the model's predictive capabilities (Menard, 2002). To assess multicollinearity, the variance inflation factor (VIF) is employed (Belsley et al., 1980). VIF quantifies the extent to which the variance of each predictor variable is inflated due to its correlation with other predictors. A VIF value of 1 indicates no multicollinearity, a VIF value between 1 and 5 indicates moderate multicollinearity, and a VIF value greater than 5 indicates severe multicollinearity, requiring further investigation or corrective action. In this study, according to Table 10, all VIF values are below 5, suggesting that multicollinearity is not a concern in the regression model.

Table 10: Multicollinearity test

Constant	Tolerance	VIF
CP	.718	1.392
MP	.584	1.712
NP	.769	1.300

Source: Own Survey, SPSS output

4.5.3. Linearity test

In a regression model, it is crucial to assess whether the dependent variable, the independent variable, or both exhibit a normal distribution (Habeck et. al., 2014). A normal or near-normal data distribution is indicative of a well-fitted regression model (Gujarati & Porter, 2009). The Normal P-P Plot regression graph is employed to determine the linearity of the data distribution.

This graph compares the cumulative distribution of the actual data with that of a normal distribution. If the data points closely align with the diagonal line and follow the same direction, it indicates that the regression model satisfies the linearity assumption. Conversely, if the data points deviate from the diagonal line or follow a different path, it suggests that the regression model does not meet the assumption of linearity (Mranani & Lastianti, 2019). In the context of this study, the linearity test conducted through Figure 3, specifically the normal probability plot graph, reveals a normal pattern. The data points are distributed around and closely follow the diagonal line. Based on this observation, it can be confidently concluded that the regression model is feasible, successfully meeting the assumptions of both normality and linearity.

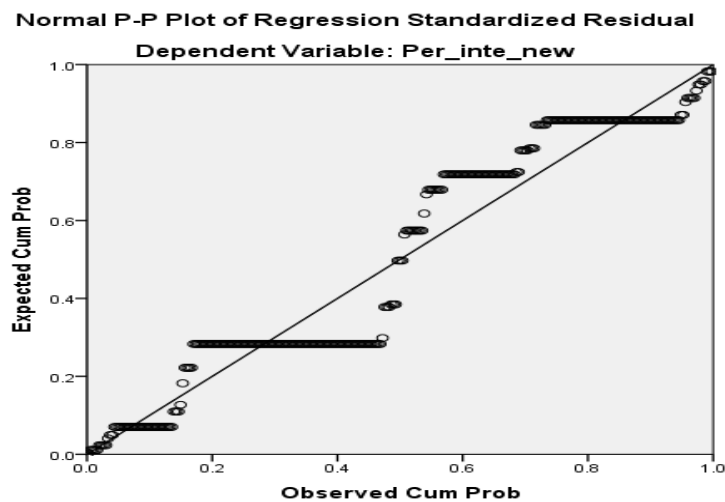


Figure 3: Test of Normality
Source: Own Survey, SPSS output

4.5.4. Normality Test

The bell-shaped histogram presented in Figure 4 indicates that the residuals are approximately normally distributed, with scores concentrated around the mean. However, the excess kurtosis observed suggests that the tails of the distribution are heavier than those of a normal distribution (Westfall, 2014). This implies that there are more extreme values than would be expected in a normal distribution. Despite this, the standard residuals are not significantly deviating from the normality curve, suggesting that the residuals are approximately normally distributed, even though there is some deviation from normality. The largest bars on the histogram are clustered around the central value, further supporting the conclusion that the residuals exhibit a degree of normal distribution.

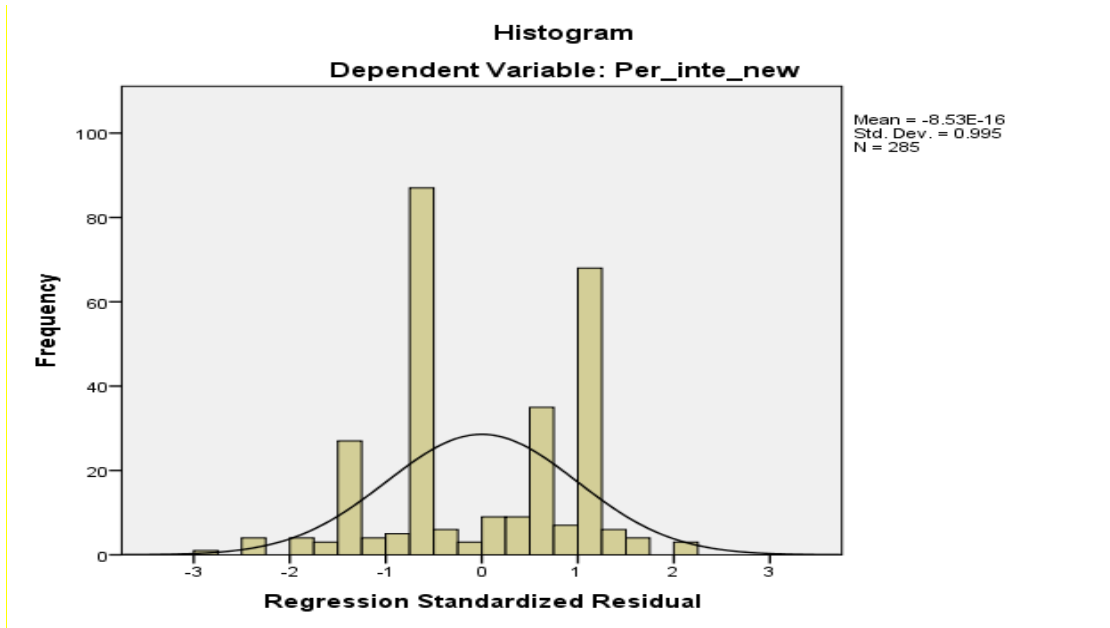


Figure 4: Normality Tests of Residuals

Source: Own Survey, SPSS output

4.5.5. Homoscedasticity test

Homoscedasticity refers to the condition in which the variance of the residuals (the difference between the observed and predicted values of the dependent variable) is constant across all levels of the independent variable (Rosopa et. al., 2013). In simpler terms, it implies that the spread of the residuals should be the same for all predicted values. This assumption is crucial for regression analysis because it ensures that the regression coefficients are unbiased and reliable (Wooldridge, 2009).

In the present study, homoscedasticity was evaluated by examining the residuals versus fitted values plot Figure 5. As illustrated in the figure, the residuals do not exhibit any systematic pattern, indicating that the assumption of homoscedasticity is not violated. This implies that the regression coefficients are likely to be reliable, and their interpretation can be conducted without concerns about heteroscedasticity.

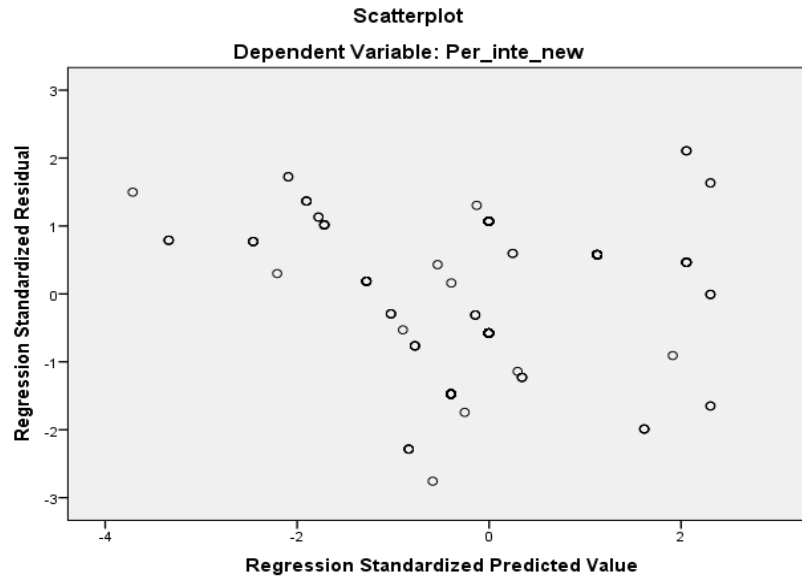


Figure 5: Scatter Plot for Testing Homoscedasticity

Source: Own Survey, SPSS output

4.6. Multiple Linear Regression Analysis Result

The Model Summary Table 11 provides a comprehensive assessment of the regression model's overall fit and predictive performance. The R-value of 0.885 signifies the model's strong ability to predict the dependent variable, internationalization intensity. This high R-value indicates that the model accounts for a significant portion of the variation in internationalization intensity.

Furthermore, the R-squared value of 0.783 reveals that 78.3% of the variance in internationalization intensity can be attributed to the independent variables (coercive pressure, mimetic pressure, and normative pressure). The adjusted R-squared value, slightly lower at 0.780, further corroborates the model's adequacy in explaining the observed data.

The model's precision in its predictions is evident in the standard error of the estimate, which stands at 0.203. A smaller standard error of the estimate indicates a narrower gap between the predicted and actual values of internationalization intensity.

In summary, the Model Summary result provides compelling evidence that the regression model effectively captures the underlying relationships between the independent variables and internationalization intensity. The model's strong predictive power and ability to explain a substantial proportion of the variance in internationalization intensity make it a reliable tool for analyzing and understanding these relationships.

Table 11: Model Summary Table

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.885a	.783	.780	.203

a. Predictors: (Constant), Coercive pressure, Mimetic pressure, Normative pressure

b. Dependent Variable: Internationalization Intensity

Source: Own Survey, SPSS output

Table 12: ANOVA model fit

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41.665	3	13.888	337.006	.000 ^b
	Residual	11.580	281	.41		
	Total	53.245	284			

a. Dependent Variable: Internationalization Intensity

b. Predictors: (Constant), Coercive pressure, Mimetic pressure, Normative pressure

Source: Own Survey, SPSS output

The above ANOVA Table 12 shows the results of a regression analysis of internationalization intensity on coercive pressure, mimetic pressure, and normative pressure. The F-statistic is 337.006 and the p-value is 0.000, indicating a statistically significant difference between the group means. This means that the independent variables (coercive pressure, mimetic pressure, and normative pressure) have a significant impact on internationalization intensity.

4.7. Regression Coefficients of Variable

Table 13: Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.777	.179		-4.344	.000
	Coercive Pressure	.192	.044	.143	4.357	.000
	Mimetic Pressure	.506	.037	.499	13.722	.000
	Normative Pressure	.452	.032	.442	13.946	.000

a. Dependent Variable: Internationalization Intensity

Source: Own Survey, SPSS output

The unstandardized coefficients, denoted as "B" coefficients, signify the change in the predicted value of the dependent variable (internationalization intensity) for a one-unit change in the independent variable, while keeping all other independent variables constant. The constant coefficient (-0.777) reveals that when all independent variables are set to zero, the predicted value of internationalization intensity is -0.777. The coefficient for coercive pressure (0.192) indicates that with a one-unit increase in coercive pressure, the predicted value of internationalization intensity is expected to increase by 0.192 units, holding all other independent variables constant. Similarly, the coefficient for mimetic pressure (0.506) suggests that a one-unit increase in mimetic pressure is associated with an expected increase of 0.506 units in internationalization intensity, while holding all other independent variables constant. Lastly, the coefficient for normative pressure (0.452) implies that a one-unit increase in normative pressure is linked to an expected increase of 0.452 units in internationalization intensity, while holding all other independent variables constant.

The standardized coefficients, also known as "Beta" coefficients, represent the change in the predicted value of the dependent variable (internationalization intensity) in standard deviation units, for a one-unit change in the independent variable, while holding all other independent variables constant. The standardized coefficient for coercive pressure (0.143) indicates that a one-standard-deviation increase in coercive pressure is associated with a 0.143-standard-deviation increase in internationalization intensity. The standardized coefficient for mimetic pressure (0.499) indicates that a one-standard-deviation increase in mimetic pressure is associated with a 0.499-standard-deviation increase in internationalization intensity. The standardized coefficient for normative pressure (0.442) indicates that a one-standard-deviation increase in normative pressure is associated with a 0.442-standard-deviation increase in internationalization intensity.

Statistical Significance, the t-statistic and p-value associated with each coefficient indicate the statistical significance of the relationship between the independent variable and the dependent variable. A p-value less than 0.05 is typically considered statistically significant.

- **Coercive Pressure:** The t-statistic (4.357) and p-value (0.000) indicate a statistically significant positive relationship between coercive pressure and internationalization intensity. Hence, the alternative hypothesis (H1) that says Coercive pressure has a positive and significant relationship with the internationalization intensity of Ethiopian firms is accepted.

- **Mimetic Pressure:** The t-statistic (13.722) and p-value (0.000) indicate a statistically significant positive relationship between mimetic pressure and internationalization intensity. Therefore, the alternative hypothesis (H2) that says Mimetic pressure has a positive and significant relationship with the internationalization intensity of Ethiopian firms is acceptable.

- **Normative Pressure:** The t-statistic (13.946) and p-value (0.000) indicate a statistically significant positive relationship between normative pressure and internationalization intensity.

Hence, the alternative hypothesis (H3) that says normative pressure has a positive and significant relationship with the internationalization intensity of Ethiopian firms is acceptable.

The regression coefficients offer evidence that all three independent variables (coercive pressure, mimetic pressure, and normative pressure) have a positive and statistically significant impact on internationalization intensity. This implies that firms are more likely to engage in internationalization activities when subjected to external pressures (coercive pressure), when observing similar behavior among their competitors (mimetic pressure), or when conforming to industry norms (normative pressure). The standardized coefficients indicate that mimetic pressure has the strongest effect on internationalization intensity, followed by normative pressure and coercive pressure. These findings suggest that firms exhibit a heightened responsiveness to the actions of their competitors and industry peers when making decisions about international expansion.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Major Findings and Discussion

This study delved into the interplay between institutional isomorphic pressures (coercive, mimetic, and normative) and firms' internationalization intensity within the Ethiopian context. The analysis of 285 survey responses, representing a robust response rate of 85.6%, yielded compelling insights into the intricate relationship between these forces. The regression output, characterized by a high correlation coefficient ($R=0.885$), underscores the profound influence of coercive, mimetic, and normative isomorphic pressures on firms' internationalization intensity. Furthermore, the high R^2 value (0.783) indicates that the independent variables effectively explain 78.3% of the variability in international business performance measures, demonstrating the model's strong explanatory power. The ANOVA results, with a significant F-statistic ($F: 337.006, p<0.05$), further validate the overall goodness of fit of the regression model. All in all, the result indicate that mimetic pressure has the strongest effect on internationalization intensity, followed by normative pressure and coercive pressure. These findings suggest that firms exhibit a heightened responsiveness to the actions of their competitors and industry peers when making decisions about international expansion.

This research unveiled that coercive pressure exerts a moderate and statistically significant positive impact on the internationalization intensity of Ethiopian firms. This finding implies that pressures arising from the need to conform to government mandates, expectations, and gain favorable treatment from local authorities and banking institutions propel Ethiopian firms towards internationalization. These findings corroborate the observations of (Li & Ding, 2013), who posit that firms embark on internationalization not solely for economic gains but also to enhance their legitimacy by complying with government regulations. Additionally, the authors assert that government pressure acts as a catalyst for firms to expand their operations internationally, which aligns with real-world scenarios. In numerous developing countries, governments play a crucial role in fostering export-oriented activities and foreign direct investment (Wang & Swain, 1995). Mimetic pressure, which is driven by the desire for competitive advantages, has also a strong positive correlation with the intensity of internationalization. This suggests that firms are driven by competitive advantage to seek greater

internationalization. According to DiMaggio and Powell (1983), firms may imitate their competitors' foreign expansion strategies, market entry, choice of entry mode, and local operational strategy not only to compete but also to gain legitimacy or social fitness in a wider social structure.

Normative pressure also plays a significant role in encouraging firms to increase their efforts towards internationalization. According to DiMaggio and Powell (1983), norms are spread through relational channels among members, which increases the strength of firms. As a result, individual firms change their behaviors to conform to shared norms. This pressure fosters collaboration among firms in the same industry, allowing for the sharing of knowledge and resources. It also encourages collective lobbying efforts to influence government regulations. The degree to which firms collaborate, share knowledge and resources, and support each other in lobbying efforts has a high degree of influence on their ability to meet standards and advocate for their industry. Additionally, meeting the standards required by professional associations is essential for gaining access and acceptance in the international market.

The study has shown that these isomorphic pressures have a significant impact on the internationalization intensity of Ethiopian firms. The findings of this study are of great value to policymakers, managers, and researchers as they provide a comprehensive understanding of the factors that shape the internationalization decisions of Ethiopian firms. This knowledge can be used to develop policies and strategies that can help Ethiopian firms to overcome the challenges they face when expanding internationally.

5.2 Conclusions

The research indicates that the isomorphic pressures namely, coercive, mimetic, and normative have a significant and positive influence on the internationalization intensity of Ethiopian firms. Notably, mimetic pressure emerges as the most influential factor affecting internationalization intensity, followed by normative pressure and coercive pressure. These findings underscore the heightened responsiveness of firms to the actions of competitors and industry peers in the context of decisions regarding international expansion. The insights derived from this study hold considerable value for policymakers, managers, and researchers, offering a comprehensive understanding of the determinants shaping the internationalization choices of Ethiopian firms. This knowledge can be harnessed to formulate policies and strategies that facilitate Ethiopian firms in overcoming the challenges associated with internationalization intensity.

5.3 Recommendations

Based on the study's results, the following recommendations are suggested by the researcher:

- It is strongly recommended to integrate an examination of isomorphic pressures into internationalization decision-making. As companies expand into global markets or face the necessity of global competition, understanding the subtleties of isomorphic pressures becomes essential for effective management. This understanding equips leaders with the tools needed to navigate the complexities of international expansion with skill. By recognizing the effects of coercive, mimetic, and normative pressures, managers can proactively address these influences, effectively leveraging them to drive successful internationalization endeavors.
- It is recommended that readers consider the significant benefits of comprehending isomorphic pressures. Such understanding enables firms to anticipate and effectively respond to governmental regulations and expectations, adapt to industry standards and practices, and gain legitimacy and social acceptance in international markets. Moreover, by taking proactive steps to address these pressures, companies can strategically position themselves for success in the competitive global.
- It is important to view international pressures as opportunities for growth and expansion, rather than as obstacles. Ethiopian businesses can strategically use these pressures to their advantage. To do this, it is necessary to understand how international pressures like regulations and industry standards affect businesses. Once this is understood, targeted strategies can be developed to adapt and thrive under these pressures. Finally, it is important to acquire the agility and insight needed to navigate the international landscape effectively.

5.4. Future Research Directions

- While this research has provided insights into institutional isomorphism and firm internationalization in developing contexts like Ethiopia, there are still significant gaps that need to be addressed. It is necessary to conduct further investigation to explore the roles played by financial resources, managerial expertise, and technological capabilities, particularly for smaller firms and those operating in emerging markets.
- Group firms by sector to compare challenges faced by different clusters in response to institutional forces. Identifying commonalities and unique vulnerabilities within each

cluster will enable concerned bodies to develop targeted policy interventions and support mechanisms catering to the specific needs of each cluster.

- **Conducting a Comprehensive Examination of Factors Impacting Global Expansion: Understanding the Pace and Success of Internationalization Efforts.** It is imperative to thoroughly assess various determinants to facilitate successful internationalization outreach initiatives, as overlooking these factors could result in setbacks delaying internationalization efforts.
- The study also suggests that it is important to investigate the impact of institutional isomorphic pressures on companies that are presently operating only within the country. Understanding how these pressures motivate companies to expand their operations from local to international could provide valuable insights to policymakers and managers who are seeking to promote internationalization among a wider range of Ethiopian businesses.
- Furthermore, broadening the research scope to include other African developing countries could provide a more comprehensive understanding of the generalizability of the findings and identify contextual factors influencing the interplay between isomorphic pressures and internationalization intensity. Exploring these areas in future research could enhance understanding of the complex dynamics between institutional isomorphic pressures, firm capabilities, and international expansion strategies. This, in turn, may contribute to the development of more effective internationalization policies and practices in Ethiopia and beyond.

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Appendix
ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
PROGRAM OF INTERNATIONAL BUSINESS

Dear Respondent,

My name is Metasebia Timothiwos. I am a Master of Science student in International Business and Strategic Investment Management at Addis Ababa University. I am currently conducting research on **the effect of institutional isomorphic pressures on the internationalization intensity of firms in developing countries, with a focus on Ethiopia.**

This survey is designed to collect primary data from firms. Your responses are essential for the successful completion of this paper. I appreciate your time and effort in answering all the questions. I can assure you that your responses will be completely anonymous and used only for academic purposes.

If you are interested, I would be happy to share the aggregated findings with you at a later stage.

Please put a tick (✓) mark in the appropriate answer. Filling the survey will only take 5 to 7 minutes of your time.

For further inquiry I will be available via:

Email: metasebiahassebon@gmail.com

Phone: +251939960540

Thank you for your participation!

Section One – Background Information

1. **Company name** (*optional*) _____

2. **Your position within the Firm**

A. Owner-manager

B. General Manager

C. Marketing Manager

D. Finance Manager

E. Project Manager

F. Other, Management position

3. **Number of Employees within the firm**

A. 1-50

C. 101 -200

B. 51 - 100

D. More than 200

4. **Type of business ownership form that you are engaged in** (*multiple answer is possible*)

A. Sole Proprietorship

B. Private Limited Company

C. Share Company

D. Other (Please specify) _____

5. **Number of years since the firm's establishment and functionality**

A. Less than 1 year

C. 6-10 years

B. 1-5 years

D. Above 10 years

6. **How many export markets does your firm have?**

- A. 1-2 C. 5-6
 B. 3-4 D. More than 6

7. Types of international business transaction you are engaged in.

- A. Direct export to the end buyer C. Subsidiary Company
 B. Indirect export through agent D. Other (Please specify) _____

Section Two – Questions to measure firms Internationalization Intensity and pressures on the firm’s internationalization activities.

Please put tick (√) mark to indicate your level of agreement or disagreement.

No.	Questions	Very low (1)	Low (2)	Medium (3)	High (4)	Very high (5)
CP1	How would you assess the degree to which government actions, such as policies, regulations, procedures, and other forms of intervention, influence or exert pressure on the firm's internationalization efforts?					
1.1	There is a need to satisfy government’s requirement and expectations					
1.2	There is a need to receive local government’s favorable treatment.					
1.3	There is a need to gain bank loans by fulfilling local government’s expectation					
1.4	There is a need to gain government funding (<i>any arrangement whereby firms receive part or all of its financial support</i>)					
MP 2	How would you rate the impact of the items listed below on your firm’s internationalization activities?					
2.1	Major competitors of your firm increasingly operate abroad on international market					
2.2	Those competitors have greatly benefited who have adopted internationalization					
2.3	Those competitors who have adopted internationalization are favorably perceived by other market players in the same industry					
NP 3	How would you assess the impact of the following factors on your firm's internationalization activities?					
3.1	The extent to which firms within the same industry collaborate to share knowledge,					

	resources, and support each other, and how extensively do they engage in lobbying efforts on behalf of their members?					
3.2	The extent to which industry specifications ensure that products or services meet a predetermined level of quality or performance?					
3.3	The extent to which internationalization affect the internal norms and values of your firm, such as customer service, teamwork, communication, integrity, innovation, diversity/inclusion, and so forth?					

Section Three – Questions to measure firms Internationalization Intensity. Please put tick (√) mark to indicate your level of agreement or disagreement.

No	How would you assess the extent of your firm's internationalization efforts in terms of the following aspects	Very low (1)	Low (2)	Medium (3)	High (4)	Very high (5)
1	Efforts in exploring opportunities abroad; the depth of your firm's involvement in the international market.					
2	Efforts in entering foreign market; your firm's proportion of foreign sales (number of foreign markets).					
3	Efforts in expanding international operations; firm's number of foreign assets and foreign employees					