British Journal of Business and Management Research
Vol.1, No.2, pp.79-102, June 2014
Published by British Research Institute UK (www.gbjournals.org)

FACTORS INFLUENCING THE INTERNATIONALIZATION OF NIGERIAN MANUFACTURING FIRMS: AN EMPIRICAL ANALYSIS

Awolusi, Olawumi Dele (Ph.D.)
Department of Business Administration and Marketing, School of Postgraduate Studies, Babcock University, Ogun State, Nigeria.

ABSTRACT: *The purpose of this study was to investigate the Critical Decision Factors (CDF) of internationalization by Nigerian manufacturing firms, as well as, examines specific relationships between these CDF and Perceived International Business Performance Measure (PIBPM). 566 management staff of 14 Nigerian manufacturing companies, with international presence was randomly selected from a business-to-business database maintained by a national list provider. Using the integrated conceptual framework of international business strategy by Peng (2006), factors manifesting PIBPM were regressed on the CDF, manifesting successful internationalization. However, multivariate analyses was mathematically represented in a single equation, and this equation is expected to be used by Nigerian manufacturing companies in composing strategies to optimize their management of international entry decisions and international business performance. Overall, the paper argue that an institution-based view of international entry decision, in combination with transaction cost- and resource-based views, will not only help sustain a strategy tripod, but also shed significant light on the most fundamental questions confronting international entry decisions. Hence, a model incorporating the key elements of each approach could present a more realistic and comprehensive picture of international business strategies. The model also provides predictive implications on improved international business performance, given the activities of CDF manifesting successful internationalization.*

KEYWORDS: Internationalization, International performance, Transaction cost analysis, Resource-based view, Institutional theory, Manufacturing Firms, Regression analysis, Nigeria

INTRODUCTION

Internationalization refers to the process of increasing involvement in international operations (Asika, 2006). Internationalization, usually in form of Greenfield investment, mergers and acquisitions, licensing, franchising or other cooperative agreements, has been a major source of skills, equipments, productivity and technological transfers, majorly from developed countries to developing countries; this is based on the notion that domestic firms in developing countries benefit from the FDI externalities through improved productivity, employment, worldwide exports and international integration (Brouthers et al., 2000; Brouthers and Hennart, 2007). Hence, due to the general perceived benefits of international engagement, the past two decades have seen most developing and emerging economies changed from a radical view of FDI and trade, toward a more friendly view, by using international expansion as strategies for positive spillovers and other inherent benefits, in their quest for development (Hennart, 1991).

Manufacturing firms play an increasingly significant role in Nigeria economy, and is expected to grow fast given the growth prospects and the various industrialization policies of the federal government. The Nigeria's internationalization just began a few years ago when they realized world market would offer them more opportunity and unlimited scope for growth; at the late 1990s some ambitious manufacturers began their first experiment abroad, which means Nigerian internationalization, is still at its early stage (Onafowora and Owoye, 2006; Ezeoha, 2007). However, there are no coherent frameworks that may help practitioners to gain a convergent understanding of the internationalization decisions of manufacturing companies. Although some scholars (Brouthers & Brouthers, 2001; Brouthers et al., 2000; Brouthers and Hennart, 2007) had developed the globalization model for manufacturing companies, those models were not fully examined in developing markets (Onafowora and Owoye, 2006). Additionally, it is hard to ignore the great differences between developed and developing economies; for example many manufacturing companies in developed economies possess high technology and efficient processes, it is exactly the opposite way in many developing economies.

However, as the forces of globalization drive firms to expand outside their home market, a primary issue of concern is in determining when and how (mode) to enter foreign market(s). International entry decision research is important because setting the correct time and boundaries of the firm has significant performance implications (Brouthers et al., 2003). In addition, it is also important to note that manufacturing firms were the focus of early studies on international entry research. However, studies using manufacturing firms tend to provide support for the main theoretical perspectives: Transaction Cost Analysis (TCA) (Hennart, 1991), Resource-based view (Delios & Henisz, 2000), and institutional theory (Hennart & Larimo, 1998; Shane, 1994), however, few have attempted to combine these perspectives (Brouthers and Hennart, 2007). According to Brouthers and Hennart (2007:12) "Our knowledge about how resources (knowledge and/or capabilities) influence mode choice may be advanced by studies that develop other measures of resource advantages and that combine the resource-based view with other perspectives such as transaction cost or institutional theory".

Consequently the aim of this paper was to examine the effects of internationalization decisions on international business performance of Nigerian manufacturing firms involved in international expansion as a strategic imperative in the past one dacade. This study aims to fulfill this inquiry by examining the CDF of international expansion, as well as, specific relationship between these CDF and perceived international business performance measures. Since an extensive longitudinal study of the rise and fall of international decision making with respect to the relationship-factor of the important variables has hardly been done, in the Nigerian context, this study intends to bridge this gap. In other word, this study will provide a holistic view of the CDF of internationalization, as well as, examine specific relationship between successful internationalization and Perceived International Business Performance Measures (PIBPM) of Multinational Corporation (MNC) operating in the manufacturing sector of the Nigerian economy. Based on the above objectives, the following research questions were formulated:

1. What relationship exists between 'transaction costs induced decisions' and international business performance in Nigerian manufacturing firms?
2. To what extent is the relationship between resource-based induced decisions and international business performance in Nigerian manufacturing firms?

3. What relationship exists between institutional based induced decisions and international business performance in Nigerian manufacturing firms?

The above research questions were investigated from an empirical perspective by means of analyzing and discussing the existing literature as well as proposing an in-depth survey of selected Nigerian manufacturing firms involved in one or more international expansion, as a strategic initiative, in the past decade.

REVIEW OF RELEVANT LITERATURE

Theoretical Framework

A large number of theories have been used to explain international entry decisions. Among the most commonly applied are transaction cost analysis (TCA), the resource-based view, institutional theory, and Dunning's eclectic framework; these four theories are used as the theoretical foundation for almost 90% of the published entry mode studies (Brouthers and Hennart, 2007). Other less frequently applied theories include internalization theory, control theory, agency theory, bargaining power theory, and resource dependency theory (Brouthers and Hennart, 2007). However, many existing literature shows no agreement regarding the conceptual framework and constructs that should be used to explain a firm's internationalization, while a theoretical framework can be based on more than one theory (Andersen, 1997); and for the fact that, Dunning's (1993) eclectic or OLI (ownership, location, internalization) framework is not a theory, the theoretical framework for this study was based on the three (transaction cost analysis-TCA, the resource-based view, and institutional theory) most common theories of international entry decisions (Brouthers & Brouthers, 2001, Brouthers et al., 2000, 2002, 2003; Brouthers and Hennart, 2007). Discussion of these frameworks follows.

Transaction Cost Analysis

Transaction Cost Analysis argues that managers suffer from bounded rationality, whereas potential partners may opportunistically act if given the chance (Brouthers and Hennart, 2007). Transaction Cost Analysis (TCA) is another widely used IO based theoretical perspective in international entry mode research. The approach seeks to identify the environmental factors that together with a set of related human factors explain how companies can organize transactions to reduce the costs associated with these transactions (Andersen, 1993). The most important environmental factors are asset specificity and uncertainty; the most important human factors are bounded rationality and opportunism. TCA argues that managers suffer from bounded rationality, whereas potential partners may opportunistically act if given the chance (Brouthers and Hennart, 2007). Transaction-cost economics is an interdisciplinary undertaking that joins economics with aspects of organization theory and overlaps extensively with contract law; it is the modern counterpart of institutional economics and relies heavily on comparative analysis (Brouthers & Brouthers, 2001). The goal of industrial organization study is to increase the understanding of how industries operate, improve the industries contribution to the economic welfare, and to improve government policy toward these industries. However, literature on global strategy has been long dominated by the industrial organization perspective, which places primary emphasis on the external analysis of global competition, thus every school of thought must be constantly re-evaluated as more data is generated (Asika, 2006).

The resource-based theory

While many scholars contested the classic strategy theory primarily with respect to the strategy formation process, another field of scholars questioned the content of especially the industrial analysis approach to strategy prescribed by Porter (1980), an IO based theory, where profit is explained by choice of industry and the gaining of market power. These scholars sought to explain superior performance due to the firms' resources and their ability to utilize these (Brouthers et al., 2000, 2002, 2003; Brouthers and Hennart, 2007). The resource-based theory views internal organizational factors as the determinants of international business strategy and performance (Asika, 2006). The resource-based view suggests that valuable firm resources--comprising tangible and intangible elements--are usually scarce, imperfectly imitable, and lacking in direct substitutes (Brouthers and Hennart, 2007). It is about producing the most value from one's existing capabilities and resources by combining these with others' sources of advantage and, in this, ensuring complementarity is paramount (Johanson, 1990).

The resource-based view suggests that firms develop unique resources that they can exploit in foreign markets or use foreign markets as a source for acquiring or developing new resource-based advantages (Luo, 2002). Luo (2002) suggests that firms develop resource-based advantages by developing or acquiring a set of firm-specific resources and capabilities that are valuable, rare and imperfectly imitable and for which there are no commonly available substitutes. Based originally on internationalization theory (Johanson & Vahlne, 1977) scholars have suggested that over time firms gain experience in foreign markets and therefore move from simple exporting operations to more complex organizational structures such as Joint Ventures (JVs) and Wholly Owned Subsidiaries (WOSs), suggesting that international experience provides some type of firm-specific advantage (Brouthers and Hennart, 2007). However, resource-based entry decisions research appears to be fairly limited. The knowledge about how resources influence internationalization decisions may be advanced by studies that develop other measures of resource advantages and that combine the resource-based view with other perspectives such as transaction cost or institutional theory (Brouthers and Hennart, 2007).

Institution-based theory

In defiance to the institutional-based theoretical perspective of international business strategies, the influence of the ''environment'' (Lawrence & Lorsch, 1969) has long been featured in the industry- and resource-based views. What has dominated the research is a ''task environment'' view, which focuses primarily on economic variables such as market demand and technological change (Dess & Beard, 1984). However, not until recently, scholars had rarely looked beyond the task environment to explore the interaction among institutions, organizations, and strategic choices. Instead, a market-based institutional framework has been taken for granted, and formal institutions (such as laws and regulations) and informal institutions (such as norms and cognitions) have been assumed away as ''background'' conditions. Scott (1995: 33) defines institutions as ''regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior''.

Institutional theory research suggests that a country's institutional environment affects firm entry decisions because the environment reflects the "rules of the game" by which firms participate in a given market (Brouthers and Hennart, 2007). Research in this area has tended to concentrate on host country institutional environments or differences between home and host country. Typical of this research is Brouthers et al. (2002). They examined five types of risk or uncertainty: product, government policy, macroeconomic, materials, and competition. Although earlier institutional theories helped develop our understanding of differences in institutional environments between home and host countries and how these differences might influence the mode choice decision, they tend to lack a theoretical basis on which to select the risk factors to be included in each study (Brouthers & Brouthers, 2001; Brouthers and Hennart, 2007). Hence, each study seems to use those risk factors that are deemed appropriate by the authors (Brouthers et al., 2002). More recently, new institutional theory (NIT) has been adopted by some scholars to help address this earlier shortcoming. NIT suggests that a country's institutional environment is made up of a set of three dimensions: regulatory, cognitive, and normative (Scott, 1995; Brouthers et al., 2000; Brouthers and Hennart, 2007). Closely related to these studies of institutional influences are studies of national cultural distance. Other studies examine specific national cultural components and find that cultural components such as power distance and uncertainty avoidance influence internalization decisions and mode of entry (Brouthers & Brouthers, 2001; Brouthers and Hennart, 2007). In addition, Brouthers & Nakos (2004) examined the impact of host country corruption, finding that corruption had a significant influence on entry mode choice.

Today, international business literature has become much more conscious of the importance of the relationships between institutions and organizations (Brouthers et al., 2003; Brouthers and Hennart, 2007). Treating institutions as independent variables, an institution-based view of strategy focuses on the dynamic interaction between institutions and organizations, and considers strategic choices as the outcome of such an interaction (Peng, 2006). Specifically, strategic choices are not only driven by industry conditions and firm capabilities, but are also a reflection of the formal and informal constraints of a particular institutional framework that managers confront (Carney, 2005). Instead of arguing for ''a fundamentally different way'' of thinking about internationalization strategy, this paper is of the opinion that, an institution-based view represents a great deal of continuity with existing research, and that it is best viewed as complementing – but not substituting – the industry- and resource-based views. Its novelty lies in its attempt to explicitly add a missing leg in the strategy tripod (Peng, 2006; Brouthers and Hennart, 2007).

An integrated conceptual framework of international business strategy

The Peng (2006) proposed framework integrate multiple theories of internationalization and entry modes decisions in a complementary manner. Under such a framework, firms that have taken on a global approach can best understand and monitor their efforts with more structure and focus; in addition, domestic firms that are new to the global market or are planning international entry can benefit from a framework that is a guide for strategic development and implementation (Carney, 2005).

Therefore, to fill the aforementioned gaps in the extant literature, linking of both IO based theory and resource based theory with the institution-based theories to form an integrated framework of international business strategy is desirable. In addition, this paper is of the view that the theoretical perspective from which internationalization decisions and global market performance should be studied is neither the three theories (IO-based theory, resource-based and institution-based theories), rather the three theoretical perspectives must be linked together, to provide a solid theoretical foundation to study international business strategy and performance. Although, each theory explains international business strategies using different explanatory factors and behavioral assumptions, it is the collective, simultaneous consideration of all these factors that better explains the various international business strategies (Brouthers and Hennart, 2007). When interpreted singly, the preceding theories are not consistent with firms' recent international trade, production and investment patterns; potential limitations of these theories lie in their interpretation of and application to the internationalization process/ strategies in isolation to other theories and moderating factors (Peng, 2006; 2004).

Perceived international Business Performance Measures (PIBPM)

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

METHODOLOGY

Surveys were the primary source of data collection for field studies conducted in this research. As Mullins and Larreche (2006) claims, survey research is an appropriate method to generalize from a sample to a population, allowing in this sense, to establish inferences over the entire population. Using random sampling, 566 management staff of 14 Nigerian manufacturing companies, with international presence was selected from a business-to-business database maintained by a national list provider. The unit of analysis of this study is the firm.

Pilot Study and Test.

Although items contained in the survey instrument had been validated by previous studies, during the pilot study, to get insights into the essential CDF of internationalization in the Nigerian context, all items representing CDF and PIBPM were validated and accepted individually by three professors in Management studies and six experts in firms internationalization, specifically in the Nigerian context. Recommendations from experts were processed after effecting necessary modifications and then, the final version was accepted. In addition, a pretest was conducted on management staff of two Nigerian manufacturing companies, not included in the sampling frame, to test the validity and reliability of the study instrument, hence, convenience sampling techniques was deemed desirable. In the pilot studies, convenience sample was used because it allowed the researcher to obtain basic data and trends regarding this study without the complications of using a randomized sample (Khong, 2005). The results of the pilot test was processed and analysed. From the results of the pilot study, the mean cronbach's alpha of all the four constructs measuring CDF of internationalization and PIBPM yielded 0.90 and 0.91 respectively. This were well above the recommended minimum of 0.70 (Hair et al., 1998), hence, the set of variables are consistent in what it is intended to measure. In addition, a test-retest reliability was conducted within one week interval on the two companies selected at the pilot stage of this study. 100 questionnaires were administered, out of which 51 questionnaires were returned. 11 questionnaires were discarded from analysis due to omission of vital variables by respondents. In all 40 (40% response rate) questionnaires were accepted and analysed at the pilot stage. Finally, the test-retest reliability yielded a peason-moment correlation coefficient of 0.89, meaning that the instrument is sufficient in its measures.

In all, based on the sample frame of 44,800 permanent management staff, the sample size for this study was determined using the modified Yamane (1967:886) formula, as used by Khong (2005). At a 95% confidence level and (variability) P of 0.5 assumed for this formular (Khong, 2005), the total Sample size was settled at 566 respondents. Consequently, a total of 566 questionnaires were administered to all the participating firms. In the questionnaire, participants were asked to answer two important sections; one with regards to the CDF of internationalization and the other to PIBPM. In CDF influencing international expansion, they were asked to rate the degree of usefulness of 18 variables (table 2) in association with their firms' internationalization decisions; in PIBPM, they were also asked to rate 3 variables (table 3) in relation to their companies' international business performance. Each of the variables contained questions with the rating based on an interval scale from 1 to 5, where 1 is "strongly disagree" while 5 is "strongly agree". n/a (not applicable or no comment) option was also included, so as not to force the respondents to select from the available options.

Table 1: Participating manufacturing industries in the survey

Name of Industry	Number of Company	Total Questionnaire
Crop production/ Livestock	2	80
Food products/ personal and household products	3	116
Pharmaceuticals	2	92
Electronic and electrical products	2	66
Building materials/ packaging	3	132
Oil and Gas	2	80

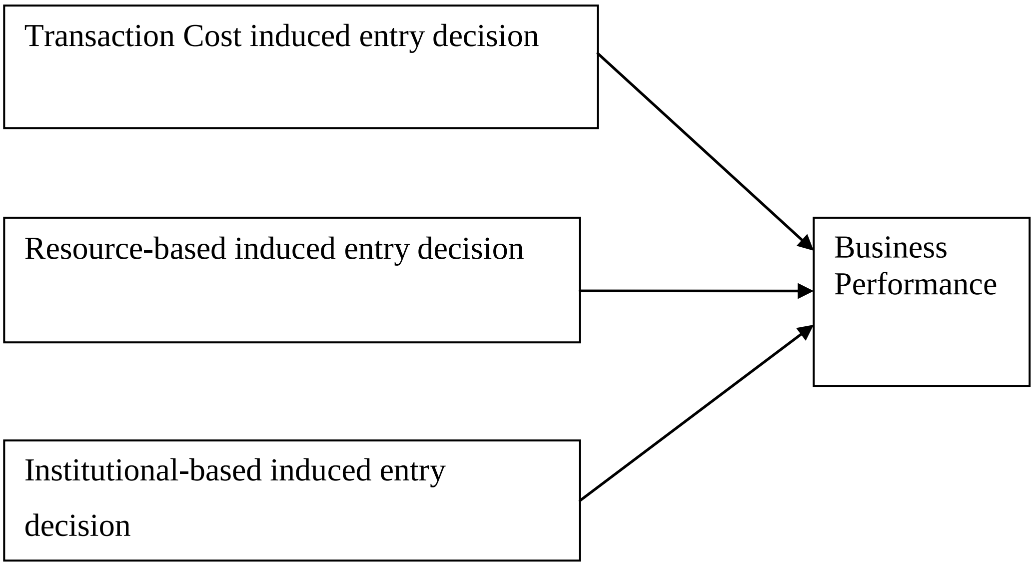
The management staff (executives) respondents from the participating companies were expected to be an active participant of the implemented internationalization strategies. These respondents were selected based on the premise that they are among the most knowledgeable informants on internationalization decisions and the derived international business success in their respective organizations.

QUESTIONNAIRE

Instrument Development and Operationalization.

Questionnaires are the essential functional component for survey research. They are among the most effective ways to operationalize the variables of a study. The items used to measure the constructs incorporated in the model were corroborated by and adopted from the three theoretical perspectives reviewed above. Nevertheless, each survey items were discussed, evaluated and adapted by experts in internationalization of manufacturing firms in Nigeria. The Peng (2006) integrated conceptual framework is one of the most widely cited international entry decision model. The value of the Model is that it not only identifies three items (constructs) influencing internationalization decisions but also proposes relationships among them. The Peng (2006) integrated conceptual framework of internationalisation appears in Figure 1, and formed the model analysis for this study.

Figure 1: The Peng (2006) integrated conceptual framework of internationalisation



Given the background of the extensive literature reviewed to identify dimensions contributing to internationalization entry decisions, this research focuses on identifying factors impacting the dimension of improved international business performance success as a consequence of international entry decisions. In summary, the results from the reviewed literatures were used to construct a questionnaire, similar to the variables and factors (shown in Tables 2 and 3) distilled from the previous studies. Operationalisation of Transaction Cost induced entry decisions was based on Williamson's (1985) TCA framework; three TCA factors are hypothesized to influence decisions: asset specificity, uncertainty (both internal–behavioral and external–market specific), and frequency (Brouthers and Hennart, 2007). According to Brouthers and Hennart (2007), asset specificity occurs when suppliers or customers must make investments that are specific to the buyer, however when these investments are made, it expose them to having the other party opportunistically alter the price of the product. A perceptual measures of asset-specific investments that include technology asset specificity (Palenzuela & Bobillo, 1999) and human asset specificity (Brouthers & Brouthers, 2003; Brouthers et al., 2003) was used in this study.

The second TCA variable, uncertainty, plays a very specific role in Williamson's model: external uncertainty makes it difficult to specify in advance all possible contingencies in a contract, whereas internal (or behavioral) uncertainty makes it difficult to verify performance later (Brouthers and Hennart, 2007; Williamson, 1985). Based on Zhao et al. (2004) suggestion that country risk and cultural distance are the two most common constructs for external (market-specific) uncertainty, hence, country risk was measured in this study using perceived political and economic stability (Brouthers, 2002; Brouthers & Brouthers, 2003; Brouthers et al., 2003; Luo, 2001), and perceived market potential (Brouthers, 2002). Similarly, cultural distance was measured using perceived similarity in cultures (Brouthers, 2002; Kim & Hwang, 1992), and familiarity with country (Gomes-Casseres, 1989). The second type of uncertainty, internal uncertainty, makes it difficult to ascertain the performance of contracting parties ex post facto (Brouthers and Hennart, 2007). This was measured in this study using perceived international experience (Zhao et al., 2004) and number of years of worldwide experience (Gomes-Casseres, 1989). Frequency is the third dimension in Williamson (1985) framework, and was measured in this study by the perceived volume of transactions, that is, if the transactions are recurrent and/or large (Williamson, 1985).

According to Brouthers and Hennart (2007), the resource-based view suggests that firms develop unique resources that they can exploit in foreign markets or use foreign markets as a source for acquiring or developing new resource based advantages (Luo, 2002). However, the resource-based induced international entry decisions was operationalised in this study using firm's international experience (Zhao et al., 2004; Gomes-Casseres, 1989). Lastly, institutional theory research suggests that a country's institutional environment affects firm internationalization decisions, because the environment reflects the "rules of the game" by which firms participate in a given market (Brouthers and Hennart, 2007). Hence, institutional-based induced entry decision was operationalised using Brouthers et al. (2002) five types of risk or uncertainty factors: product, government policy, macroeconomic, materials, and competition.

Table 2: The measure of International Entry Decisions

Variable	Description of factors	Internationalisation Decision	Author
A1	Our foreign entry decisions are based on making investments that are specific to the buyer	Transaction Cost induced entry decision	Brouthers and Hennart, 2007
A2	The level of technological advancement influences international exposure of my company		Palenzuela & Bobillo, 1999;
A3	Increase in the value and number of employee encourages the decision to expand to other countries		Brouthers & Brouthers, 2003; Brouthers et al., 2003
A4	political and economic stability of our target country encourages international operations		Brouthers, 2002; Brouthers & Brouthers, 2003; Brouthers et al., 2003; Luo, 2001
A5	High market potential influences international presence		Brouthers, 2002
A6	similarity and familiarity with a country's cultures and environments encourages foreign investments		Brouthers, 2002; Kim & Hwang, 1992; Gomes-Casseres, 1989.
A7	International expansion is encouraged by the perceived simplicity in partner selection and ability to enforce, monitor, and control contractual agreements		Brouthers, 2002; Brouthers & Brouthers, 2003; Brouthers et al., 2003
A8	International investment is influenced if the transactions are recurrent and/or large		Williamson, 1985
B1	The higher my company's international experience, the higher the urge to expand internationally	Resource-based induced entry decision	Zhao et al., 2004; Gomes-Casseres, 1989
B2	Increasing length and scope of my company's international experience encourages further international investment		Brouthers and Hennart, 2007
B3	Possession of a country-specific experience induces setting up international presence in the target country		Zhao et al., 2004; Gomes-Casseres, 1989

B4	Possession of unique proprietary technology, tacit know-how, and firm reputation induces our companies propensity to expand to foreign countries		Ekeledo and Sivakumar (2004)
B5	The reputation of our company in the industry encourages international operations		Ekeledo and Sivakumar (2004)
C1	Acceptability and adaptability of our products in a foreign country/ culture encourages international presence in that country	Institutional-based induced entry decision	Brouthers,2002; Brouthers & Brouthers, 2003
C2	Favorable government policy in the host and home countries influences decisions to increase international investments		Brouthers,2002; Brouthers et al., 2003
C3	Price stability, controlled inflation and favourable monetary policies in a host nation induces my company's foreign exposure in the host country		Brouthers, 2002
C4	Complementary and receptive host nation's organizational structures, processes and administrative conveniences encourages increased foreign commitment of our company		Brouthers, 2002
C5	The level, pattern and government regulation of competition in the host nation influences our company's foreign commitment.		Brouthers,2002; Brouthers & Brouthers, 2003

According to the framework of Bontis et al. (2000) and Javalgi et al. (2003), the variables manifesting PIBPM (improved international business performance) are depicted in table 3.

Table 3: The measure of International Business Performance

Variable	Key factors manifesting Business Performance	Author
D1	Our organisation's target of foreign sales as a percentage of total sales are met	Javalgi et al., 2003
D2	Management is satisfied with our current level of international performance	Javalgi et al., 2003
D3	Enterprise's future international performance is secure	Bontis et al. (2000)

Source: Bontis (1998)and Javalgi et al., 2003

However, since the purpose of this study was to examine the perceived impact of successful internationalization decisions (CDF) on PIBPM, it is expected that the former (CDF) will positively improve the latter (PIBPM). Results and findings follows.

RESULTS AND FINDINGS

To analyse the data collected via the survey instrument, an appropriate statistical procedure was subsequently formulated using the methodologies recommended by Hair et al. (1998). From the formulated methodologies, specific relationship between CDF of international entry decisions and PIBPM were established. In sequential order, the recommended methodologies are:

1. Reliability and Validity analysis
2. Factor analysis
3. Regression Analysis

Reliability Analysis

Reliability is the "extent to which a variable or set of variables is consistent in what it is intended to measure" (Hair et al., 1998). Reliability analysis is conducted in order to measure the internal consistency of variables, measured by interval scale items, in a summated scale. In this study, the summated scales are CDF of international entry decision and PIBPM. Using the regression tool in SPSS (statistical package for social scientist), the robustness of Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (0.689); and the Bartlett's test of sphericity (1002.911) were also used to rejects/accept the fact that the population correlation matrix is an identity matrix (table 5). To assess internal consistency, Cronbach's Alpha, composite reliability and average variance extracted coefficients were used (Hair et al., 1998). The composite reliability and AVE were also calculated, using Fornell and Larker's (1981) formula.

Table 4: Summary of Test Result- Reliability Analysis

Constructs	Number of Questionnaire items	Cronbach's Alpha (mean)	Composite Reliability(CR)	Average Variance Extracted (AVE)
Transaction Cost induced entry decision	8	0.912	0.890	0.858
Resource-based induced entry decision	5	0.915	0.819	0.783
Institutional-based induced entry decision	5	0.921	0.893	0.719
PIBPM	3	0.914	0.852	0.777

From the results of the reliability analysis, shown in table 4, the cronbach's alpha of all the four constructs measuring successful internationalization were well above the recommended minimum of 0.70, hence, the set of variables are consistent in what it is intended to measure (Hair et al., 1998). The internal consistencies of variables, measured by interval scale items, in a summated scale (CDF and PIBPM) are adequate in measuring the various constructs. Furthermore, all the calculated composite reliability scores are above the recommended 0.7, hence, the overall reliability of the whole scale (composite reliability) is assured (Hair et al., 1998). Lastly, all the calculated AVE were also well above 0.5 (Hair et al., 1998), hence, the internal consistency of the constructs are guaranteed (Fornell and Larker, 1981).

Test Result for Validity analysis.

Different validity terms were used to demonstrate various aspects of construct validity. This research utilised convergent and discriminant validity to indicate the ability of the measurement items to measure accurately the constructs of the study (Hair et al., 1998).

Table 5: Summary of Test Result- Validity Analysis and KMO and Bartlett's Test

Model 1	Collinearity Statistics		
	VIF	Tolerance	
(Constant)			Durbin- Watson:
Transaction Cost induced entry decision	1.023	.977	
Resource-based induced entry decision	1.053	.972	2.337
Institutional-based induced entry decision	1.045	.969	

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.689
Bartlett's Test of Sphericity	Approx. Chi-Square	1002.911
	Df	403
	Sig.	.000

Convergent validity is recognised when the relationship between measurement items and the factor is significantly different from zero.

Factor Analysis, via "Principal Components extraction", was the technique used to test Discriminant Validity of this study. Factoring method used was "Principal Components", applying an Orthogonal Varimax rotation with Kaiser's normalization (Khong, 2005). Based on these conditions, 4 factors were obtained (Kaiser's criterion of retaining factors with eigenvalues greater than 1), which was consistent with the 4 variables used in the model. Since, AVE's above 0.5 are treated as indications of convergent validity, Dillon & Goldstein (1984) posit that, a variance extracted of greater than 0.50 indicates that the validity of both the construct and the individual variables is high; indicating that each construct was a distinct construct. In addition, the results of external validity tests are shown in table 5. Tolerance and VIF coefficients are also within the acceptable range (Hair et al., 1998) to maintain that there is no evident multi-colinearity problem. The assumption of independent errors was tested with the Durbin-Watson, which monitors for serial correlations between errors. A value of 2.337 complies with the assumption of no independent errors, since, a value less than 1 or greater than 3 are definitely cause for concern (Asteriou and Hall, 2007).

Factor Analysis

This analysis is used to reduce numerous variables to a more manageable set of factors; hence, the purpose of factor analysis, in this study, was to reduce the 21 variables, of which 18 were manifesting successful internationalization and 3 manifesting PIBPM, to a more manageable set of factors (Aaker and Day, 1986). Exploratory factor analysis was used to summarise and reduce the data. After exploratory factor analysis, confirmatory factor analysis was also conducted. In order to define which factors determine the successful international entry decision and PIBPM, confirmatory factor analysis method was employed (Hair et al., 1998). When conducting confirmatory factor analysis, variables are assigned to specified factors. It is common that variables with high factor loadings will be assigned to describe the respective factors. Therefore, variables that have low loadings on respective factors are constrained to zero (Hair et al., 1998). According to Carmines and Zeller (1979), the acceptable threshold for factor loading is 0.7 or above. Consequently, variables with loadings less than 0.7 were constrained to zero. Using SPSS, the results of this factor analysis, with the assumption of extracting via principal components method and rotating via varimax, are shown in tables 6.

Table 6: Rotated Factor Matrix

Total Item Correlation	Variable	Factor 1	Factor 2	Factor 3	Factor 4
.723	D3	.816			
.695	D2	.779			
.597	D1	.750			
.473	B3				
.427	B5				
.130	B1				
.794	A2		.872		
.741	A5		.851		
.486	A1				
.796	C3			.894	
.758	C2			.856	
.500	C1				
.174	A4				
.127	A3				
.793	B4				.720
.790	B2				.705
.665	C5				
.539	C4				
.261	A7				
.276	A8				
.295	A6				

Extraction Method: Principal Component Analysis (4 factors Extracted)

Rotation Method: Varimax with Kaiser Normalization.

The factor matrix for successful international entry decision and PIBPM revealed four significant factors, that is, factors 1,2,3 and 4 respectively; and the four factors were extracted. Consequently, factors 2,3 and 4 will manifest the constructs of successful internationalization while factor 1 will manifest PIBPM. From table 6, variables A2,A5; B2,B4; C2,C3; and D1,D2,D3 were retained for manifesting successful internationalization and PIBPM respectively, because their factor loadings were above the 0.7 threshold. The retained variables were used in estimating a model via regression analysis.

Multivariate Analysis- Regression analysis

After performing factor analysis, regression analysis is a suitable path for analysis; in this study, the underlying hypotheses were analyzed using regression analysis. According to Hair et al. (1998), multiple regression analysis is a convenient statistical technique to be used when the researcher requires analyzing the relationship between a single dependent variable and several independent variables.

Hypothesis testing

In order to examine the relationships between CDF of internationalization (exogenous constructs) and PIBPM (international business Performance) of Nigerian manufacturing firms (endogenous constructs), the following hypotheses were tested:

H0: The respective exogenous construct has no positive effects on the respective endogenous construct

OR

H1: transaction cost induced decisions has positive relationship with international business Performance

H2: resource-based induced decisions has positive relationship with international business Performance

H3: institutional based induced decisions has positive relationship with international business Performance

H1, H2, and H3 are set to examine the effects of CDF on perceived international business performance measures (PIBPM). Failure to accept the null indicates that the alternatives are accepted. By testing these hypotheses, an overview of successful internationalization towards international business performance in Nigerian manufacturing firms can be determined.

Table 7: Testing the Hypotheses

R^2= 0.6226 Sig <.0001 Durbin Watson= 2.337 PIBPM						
Construct Association	**'α' Level**	**Beta**	**ρ-value**	**Significant (yes/no)**	**hypothesis**	**Validation**
Transaction Cost induced entry decision with PIBPM	0.05	0.38	0.0020	Yes	Accept H1	Yes
Resource-based induced entry decision with PIBPM	0.05	0.34	0.0411	Yes	Accept H1	Yes
Institutional-based induced entry decision with PIBPM	0.10	0.37	0.0577	Yes	Accept H1	Yes

Note: α level denotes significant level

Discussion of Findings

Findings based on the survey revealed that successful international entry decisions can positively affect international business performance. The results suggests the positive effects of the CDF of international entry decisions (Transaction Cost induced entry decision - β=0.38, p=0.0020; Resource-based induced entry - β=0.34, p=0.0411; Institutional-based induced entry -β=0.37, p=0.0577) on improved international business performance in Nigerian manufacturing firms, and were corroborated empirically in this study. Institutional-based induced entry decision was validated at α=0.10 level of significance. A positive and significant relationship obtained in this study agrees with the findings of Ekeledo and Sivakumar (2004), Zhao et al. (2004) and Javalgi et al. (2003). This study also supports Brouthers & Brouthers's (2003) premise that transaction cost induced decisions reduces a firm's risk of failure in international expansion, hence, a positive relationship with improved international business performance.

However, not all of the manifesting variables in successful internationalization were positively affecting PIBPM; referring to Tables 6, variables A1,A3,A4,A6,A7,A8,B1,B3,B5,C1,C4, and C5 were omitted from further analyses due to the setting of 0.7 threshold. In short, based on the dataset, there was insufficient evidence that these 12 variables had statistically significant effect on PIBPM; therefore, the variables should maintain the fundamental nature of successful internationalization. However, the remaining 9 variables manifesting successful internationalization were subsequently ranked according to their importance in the construct. Hence, implementations of effective internationalization to improve international business performance in the Nigerian manufacturing firms should begin with A2,A5,C3,C2 (Park 1) and B4,B2 (Park 2). Park 1 decisions were the most influential in carrying out successful international expansion by Nigerian manufacturing firms. Hence, for internationalization of firms to be successful in the Nigerian manufacturing sector, the level of technological advancement must be allowed to influences international exposure of a company, while the decision to expand to foreign markets must be based on high market potential in the host country. Furthermore, Price stability, controlled inflation and favourable monetary policies in a host nation must be allowed to induce foreign exposure to a foreign market. Lastly, favorable government policy in the host and home countries must also be allowed to influence decisions to increase international investments.

Other secondary prerequisite of a successful internationalization of Nigerian manufacturing firms are: Possession of unique proprietary technology, tacit know-how, and firm reputation, while increasing length and scope of a company's international experience influences further international investment. Testing the model fit, the R^2 coefficient= 0.6226, implying that the 3 independent variables explain 62.26% of the variance of PIBPM. In summary, it is pervasive that successful internationalization should result in positive PIBPM, hence, a successful international expansion effort can lead to improved international business performance (Javalgi et al., 2003).

Model Fit

The final step in factor analysis involves the determination of model fit. After conducting the validity and reliability tests for all of the CDF of internationalization, it is also necessary to demonstrate the overall fit of the measurement model. The overall fit of the measurement model was determined by confirmatory factor analysis (CFA). The fit of this model was extremely important in that all possible factors were nested appropriately within it (Ho, 2000). To evaluate the measurement model in this study, a variety (multiple criteria) of "goodness of fit" indices were used (Byrne 2001): the normed X^2 or X^2/df ratio, the root mean square Error of Approximation (RMSEA), the comparative fit index (CFI), Tucker-Lewis Index (TLI), Normed Fit Index (NFI), Incremental Fit Index (IFI), and the Relative Fit Index (RFI) (Hair et al. 1995, Schumacker & Lomax 1996, Baumgartner & Homburg 1996, Byrne 2001, Holmes-Smith, 2001). Table 8 shows the acceptable fit criteria and the PIBPM fit indices values. All of the statistical values of the final measurement model indicated that the model fitted well in representing the data.

Table 8. Goodness of fit indices for the PIBPM model

Goodness of fit indices	Fit Criteria	PIBPM Model
X^2		1002.911
df		403
X^2/df	=3	2.489
RMSEA	=0.08	0.059
CFI	=0.9	0.92
TLI	=0.9	0.91
NFI	=0.9	0.91
IFI	=0.9	0.92
RFI	=0.9	0.91

Adapted from Hair et a.l 1995, Schumacker & Lomax 1996, Baumgartner & Homburg 1996, Byrne 2001, Holmes-Smith 2001

CONCLUSION AND IMPLICATIONS FOR PRACTICE

In this paper, an empirical framework was created to assess specific relationships between the CDF of internationalization and PIBPM in the Nigerian manufacturing industry. As a result, the measurement and structural equation contrived offered a mathematical interpretation of how CDF of international expansion can affect PIBPM. Hence, to enhance their competitive position in the global market place, Nigerian manufacturing firms should give high priority to their international expansion efforts. The model contrived provides predictive implications on improved international business performance, given the activities of key factors manifesting successful international entry decisions. This paper identifies the level of technological advancement, high market potential in the host country, Price stability, controlled inflation and favourable monetary policies in a host nation and lastly, favorable government policy in the host and home countries as significant factors influencing the decisions to increase international investments by Nigerian manufacturing firms. The paper also associated the effects of successful internationalization effort to improved international business performance of Nigerian manufacturing firms.

This research can help in demonstrating how some CDF can determine successful internationalization, stimulating Nigerian manufacturing firms to embrace international entry decisions that can impact their competitiveness. Moreover, the corroborated findings provide valuable implications for practice. Finally, this study is expected to provide specific direction to companies contemplating international expansion, hence, the study is expected to be beneficial to Nigerian manufacturing firms and other Nigerian companies alike, policy makers in private and public sectors of the Nigerian economy by, enabling better strategic and tactical judgments with regards to internationalization strategies. It will help Nigerian companies understand internationalization as a business philosophy, its key components and benefits.

Finally, this paper advocate for the integration of several theoretical perspectives to construct a conceptual and multi-theoretical framework of international business strategies. This framework will help position institution-based view of international business (IB) strategy, as one leg that helps sustain the ‘‘strategy tripod’’, the other two legs consisting of the industry- and resource-based views. Overall, the paper argue that an institution-based view of international business strategy, in combination with industry- and resource-based views, will not only help sustain a strategy tripod, but also shed significant light on the most fundamental questions confronting international business. However, since only one perspective in each organization was collected – management staff responsible/ actively participated in the internationalization process; and for the fact that few respondents were chosen from each participant companies, it is not unreasonable to claim that a method bias may limit the research findings. But even if the constructs measured were conceived as “perceptual” ones identified by a rater (management staff- executives), additional guidelines might be used in future studies to minimize this potential limitation, including: a) To use different methods to measure the independent versus dependent variables. b) To call for multiple raters from different rater classes, such as senior staff, experts and consultants.

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