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

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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
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 (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).

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 decade. 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.

This study was motivated by the submissions of Onafowora and Owoye (2006) and Brouthers and Hennart (2007). According to Onafowora and Owoye (2006), despite the significant investments in internationalization initiatives by manufacturing firms around the world, formal efforts to determine their success and the underlying CDF have been very limited. Contending with the measurement of business performance, which was often focused on financial metrics, Brouthers and Hennart (2007) specifically identified this gap in the literature. This is on the premise that many researchers often use objective measures such as turnover and profit as a form of measuring firm business performance from the various internationalization strategies. However, according to Brouthers and Hennart (2007), perceived measures can replace objective measures of performance. Lastly, Brouthers & Brouthers (2001) and Brouthers et al. (2000) posit that much effort is needed in developing a model for internationalization (entry) mode, since many CDF should be considered for it, whether for private organizations or for public organizations in the manufacturing sectors of a developing economy.
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).

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.

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.

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. 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. However, 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).

**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.

Although items contained in the survey instrument had been validated by previous studies, 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 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**

<table>
<thead>
<tr>
<th>Name of Industry</th>
<th>Number of Company</th>
<th>Total Questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop production/ Livestock</td>
<td>2</td>
<td>80</td>
</tr>
<tr>
<td>Food products/ personal and household products</td>
<td>3</td>
<td>116</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>2</td>
<td>92</td>
</tr>
<tr>
<td>Electronic and electrical products</td>
<td>2</td>
<td>66</td>
</tr>
<tr>
<td>Building materials/ packaging</td>
<td>3</td>
<td>132</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>2</td>
<td>80</td>
</tr>
</tbody>
</table>

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.**

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

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description of factors</th>
<th>Internationalisation Decision</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Our foreign entry decisions are based on making investments that are specific to the buyer</td>
<td>Transaction Cost induced entry decision</td>
<td>Brouthers and Hennart, 2007</td>
</tr>
<tr>
<td>A2</td>
<td>The level of technological advancement influences international exposure of my company</td>
<td></td>
<td>Palenzuela &amp; Bobillo, 1999;</td>
</tr>
<tr>
<td>A3</td>
<td>Increase in the value and number of employee encourages the decision to expand to other countries</td>
<td></td>
<td>Brouthers &amp; Brouthers, 2003; Brouthers et al., 2003</td>
</tr>
<tr>
<td>A4</td>
<td>political and economic stability of our target country encourages international operations</td>
<td></td>
<td>Brouthers, 2002; Brouthers &amp; Brouthers, 2003; Brouthers et al., 2003; Luo, 2001</td>
</tr>
<tr>
<td>A5</td>
<td>High market potential influences international presence</td>
<td></td>
<td>Brouthers, 2002</td>
</tr>
<tr>
<td>A6</td>
<td>similarity and familiarity with a country’s cultures and environments encourages foreign investments</td>
<td>Brouthers, 2002; Kim &amp; Hwang, 1992; Gomes-Casseres, 1989.</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>A7</td>
<td>International expansion is encouraged by the perceived simplicity in partner selection and ability to enforce, monitor, and control contractual agreements</td>
<td>Brouthers, 2002; Brouthers &amp; Brouthers, 2003; Brouthers et al., 2003</td>
<td></td>
</tr>
<tr>
<td>A8</td>
<td>International investment is influenced if the transactions are recurrent and/or large</td>
<td>Williamson, 1985</td>
<td></td>
</tr>
<tr>
<td>B1</td>
<td>The higher my company’s international experience, the higher the urge to expand internationally</td>
<td>Zhao et al., 2004; Gomes-Casseres, 1989</td>
<td></td>
</tr>
<tr>
<td>B2</td>
<td>Increasing length and scope of my company’s international experience encourages further international investment</td>
<td>Brouthers and Hennart, 2007</td>
<td></td>
</tr>
<tr>
<td>B3</td>
<td>Possession of a country-specific experience induces setting up international presence in the target country</td>
<td>Zhao et al., 2004; Gomes-Casseres, 1989</td>
<td></td>
</tr>
<tr>
<td>B4</td>
<td>Possession of unique proprietary technology, tacit know-how, and firm reputation induces our companies propensity to expand to foreign countries</td>
<td>Ekeledo and Sivakumar (2004)</td>
<td></td>
</tr>
<tr>
<td>B5</td>
<td>The reputation of our company in the industry encourages international operations</td>
<td>Ekeledo and Sivakumar (2004)</td>
<td></td>
</tr>
<tr>
<td>C1</td>
<td>Acceptability and adaptability of our products in a foreign country/ culture encourages international presence in that country</td>
<td>Institutional-based induced entry decision</td>
<td>Brouthers, 2002; Brouthers &amp; Brouthers, 2003</td>
</tr>
<tr>
<td>C2</td>
<td>Favorable government policy in the host and home countries influences decisions to increase international investments</td>
<td>Brouthers, 2002; Brouthers et al., 2003</td>
<td></td>
</tr>
<tr>
<td>C3</td>
<td>Price stability, controlled inflation and favourable monetary policies in a host nation induces my company’s foreign exposure in the host country</td>
<td>Brouthers, 2002</td>
<td></td>
</tr>
<tr>
<td>C4</td>
<td>Complementary and receptive host nation’s organizational structures, processes and administrative conveniences encourages increased foreign commitment of our company</td>
<td>Brouthers, 2002</td>
<td></td>
</tr>
<tr>
<td>C5</td>
<td>The level, pattern and government regulation of competition in the host nation influences our company’s foreign commitment.</td>
<td>Brouthers, 2002; Brouthers &amp; Brouthers, 2003</td>
<td></td>
</tr>
</tbody>
</table>

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

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

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).

Table 4: Summary of Test Result- Reliability Analysis

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Number of Questionnaire items</th>
<th>Cronbach’s Alpha (mean)</th>
<th>Composite Reliability(CR)</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Cost induced entry decision</td>
<td>8</td>
<td>0.912</td>
<td>0.890</td>
<td>0.858</td>
</tr>
<tr>
<td>Resource-based induced entry decision</td>
<td>5</td>
<td>0.915</td>
<td>0.819</td>
<td>0.783</td>
</tr>
<tr>
<td>Institutional-based induced entry decision</td>
<td>5</td>
<td>0.921</td>
<td>0.893</td>
<td>0.719</td>
</tr>
<tr>
<td>PIBPM</td>
<td>3</td>
<td>0.914</td>
<td>0.852</td>
<td>0.777</td>
</tr>
</tbody>
</table>
From the results of the reliability analysis, shown in Table 4, the Cronbach’s alpha, CR and AVE of all the four constructs measuring successful internationalization and PIBPM were well above the recommended minimum of 0.70, hence, the set of variables were consistent in what they were intended to measure (Hair et al., 1998; 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**

<table>
<thead>
<tr>
<th>Mode</th>
<th>Collinearity Statistics</th>
<th>Durbin- Watson:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VIF</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction Cost induced entry decision</td>
<td>1.023</td>
<td>.977</td>
</tr>
<tr>
<td>Resource-based induced entry decision</td>
<td>1.053</td>
<td>.972</td>
</tr>
<tr>
<td>Institutional-based induced entry decision</td>
<td>1.045</td>
<td>.969</td>
</tr>
</tbody>
</table>

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

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 (Asteriou and Hall, 2007).
Factor Analysis
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

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

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.

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

<table>
<thead>
<tr>
<th>Construct Association</th>
<th>‘α’ Level</th>
<th>Beta</th>
<th>p-value</th>
<th>Significant (yes/no)</th>
<th>Hypothesis</th>
<th>Validation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Cost induced entry decision with PIBPM</td>
<td>0.05</td>
<td>0.38</td>
<td>0.002</td>
<td>Yes</td>
<td>Accept H1</td>
<td>Yes</td>
</tr>
<tr>
<td>Resource-based induced entry decision with PIBPM</td>
<td>0.05</td>
<td>0.34</td>
<td>0.041</td>
<td>Yes</td>
<td>Accept H1</td>
<td>Yes</td>
</tr>
<tr>
<td>Institutional-based induced entry decision with PIBPM</td>
<td>0.10</td>
<td>0.37</td>
<td>0.057</td>
<td>Yes</td>
<td>Accept H1</td>
<td>Yes</td>
</tr>
</tbody>
</table>

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 suggest the positive effects of the CDF of international entry decisions (Transaction Cost induced entry decision - $\beta=0.38$, $p=0.0020$; Resource-based induced entry - $\beta=0.34$, $p=0.0411$; Institutional-based induced entry - $\beta=0.37$, $p=0.0577$) on improved international business performance in Nigerian manufacturing firms, and were corroborated empirically in this study. Institutional-based induced entry decision was validated at $\alpha=0.10$ 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. 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).

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.

This study seems to be among the few examining the success of international entry mode (internationalization) by manufacturing firms, and the related success, in the perspective of how organizations fare after implementing the various internationalization strategies. The notion of internationalization success was analyzed explicitly by assessing the value derived from implementing it. This gap was originally positioned as a critical area for future research by Onafowora and Owoye (2006) and Brouthers and Hennart (2007). Another contribution of this study is the measurement of performance, which was not limited to or focused on financial metrics, but encompasses diverse indicators and perspectives, like Perceived International Business Performance Measures (PIBPM). In addition, this study seems to be one of the few that aims at investigating the success of internationalization decisions in the manufacturing sector of a developing economy, like Nigeria, by proposing a model and validating it empirically. Lastly, Brouthers & Brouthers (2001) and Brouthers et al. (2000), contends the stringent necessity to provide a model that amalgamates the CDF of internationalization with internationalization success. Hence, this study integrates the CDF of internationalization, with International Business Performance Measures (PIBPM) as related drivers of the effectiveness and success of internationalization efforts in the manufacturing sector of a developing economy, like Nigeria. Very few studies have been performed to investigate and understand this issue. In addition, this study offers a theoretical model that can be considered as a step forward in developing an integrated model toward investigating the relationship between the CDF of internationalization and internationalization success as expressed by the PIBPM and might serve as a basis for future research. Finally, this research adds to the body of knowledge by providing new data and
empirical insights into the relationship between the CDF of a successful internationalization and PIBPM in the Nigerian manufacturing industry.

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.

References


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