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ENTRY MODES' CHOICE OF FOREIGN FIRMS IN ETHIOPIAN MARKET

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ABSTRACT

Countries and companies are participating in international marketing since global level of marketing has excelled domestic economic growth. Foreign expansions by all kinds of firms are the order of the day. Such expansions can be accomplished through various entry modes. It has been suggested that due to problems with coordinating and reconfiguring resources in an internationally dispersed network, transferring best practice across units, retaining key personnel and exchanging knowledge across geographically scattered units (Anderson, Havila & Salmi, 2001,) a lot of international acquisition and entry choices fail or underperforms (Bergh, 2001; Datta, pinches & Narayanan, 1992). Hence, the kind of entry modes foreign firms need to emphasis have been investigated in the paper. Both qualitative and quantitative methods of data analysis have been employed. Convenience sampling and simple random sampling were used. Forty foreign companies in Addis Ababa who completely filled and returned the questionnaire have been taken for analysis. The collected data was analyzed using mean, percentage, and rankings. The internal and external factors influencing entry mode were studied. The results of the findings show the important factors considered from Ethiopian context for entry mode choice of foreign firms to enter Ethiopia are control level of entry-mode, investment relatedness of line of business, firm's size, firm's experience in international marketing, and others. Rankings of sub components of political, socio-cultural, economic, and technological factors have been made separately. Furthermore, companies' interview made on major entry modes issues signifies some important points.

KEYWORDS

entry mode, dissemination risk, international market, international acquisition, foreign expansion.

INTRODUCTION

Globalization in this era is a reality that many countries' businesses in the world encounter today. Ethiopia is one part that might encounter the effect of globalization in international market. According to Czinkota and Ronkainen (2007) trade was in earlier centuries conducted internationally but never before had it have the same influence on national firms and individuals like it has today. The world trade in merchandise has grown from 6.2 Trillion dollars in year 2000 to over 9 trillion dollars in year 2005. Countries and companies are participating in international marketing since global level of marketing has excelled domestic economic growth. The developments in technology as the internet has allowed the supplying and buying of items worldwide. Participation in international marketing can be rewarding and a way to the success of the company and the employees. The fast globalization of business in the last decades has driven an increasing number of firms to develop entry strategies and to expand to market abroad to changing markets in Asia, and Latin America, and also in static market in North America, Europe, and Japan (Osland et al, 2001). When a company has decided to enter or expand overseas it must decide the organizational nature of its operations in that foreign country. Choice of entry mode is considered frontier issue in international business and crucial strategic decision from Multinational Corporation's perspective in international expansion process.

Foreign expansions by all kinds of firms are the order of the day. Such expansions can be accomplished through various entry modes. A foreign mode can be defined as "an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country" (Root, 1998). There are many different entry modes such as subsidiaries, Greenfield investments, and acquisition. Some of these entry modes require firms to extend employment contracts to individuals located in foreign countries that are to undertake foreign direct investment (FDI). Firms that have engaged in such investments are called "multinational enterprises" (MNEs).

A single-entry strategy is not suitable for all products or in all countries. There are many characteristics that determine the appropriateness of entry strategy and many variables influence which strategy to choose. These characteristics include political risk, regulation, type of country, type of product, and other competitive and market characteristics. (Onkvist and Shaw, 2005). Cross border mergers and acquisitions are growing rapidly in importance precisely because they provide firms with the fastest way of acquiring tangible and intangible assets in different countries (Morosini, Shame & Singh, 1998).

That is why over the past decade we observed that the most growth in international expansion has been via cross border mergers and acquisitions (UNCTAD, 2005). However, it has been suggested that, for example , due to problems with coordinating and reconfiguring resources in an internationally dispersed network, transferring best practice across units, retaining key personnel and exchanging knowledge across geographically scattered units (Anderson, Havila & Salmi, 2001,) a lot of international acquisition fail or underperforms (Bergh, 2001; Datta, pinches & Narayanan, 1992,) Hence the paper will investigate how to expand internationally as a result of domestic market saturation and entry mode selection such as Greenfield investment, acquisition and joint ventures as a means to expand firms such as MNEs . More specifically, it focuses on how foreign firms enter to Ethiopia market? What kind of entry mode should they implement to enter Ethiopia? What are the main factors that have an impact on the foreign firms' entry mode choice decisions?

OBJECTIVES OF THE STUDY

The general objective of this study is to push forward research in the area of foreign entry modes' choices of MNCs in Ethiopia. The specific objectives are to increase our scientific understanding of the determinants of foreign entry mode choices and the subsequent performance of these entry modes and to identify internal and external factors on the choice of entry modes and also to examine the major entry modes that foreign firms emphasis in Ethiopia's market.

SIGNIFICANCE OF THE STUDY

The contribution of the findings will be indispensable to companies that intend to go international, investors, MNEs', international marketers, marketing managers, subsidiary and parent companies. The research will also assist policy makers, Ethiopian Investment Agency, Ethiopian Trade and Industry Ministry to review their strategy in line with the demands of foreign companies that intends to expand in Ethiopian market. Moreover, the study will serve as stepping stone for further research in the area under scrutiny.

STATEMENT OF THE PROBLEM

Yiu and Makino (2002) introduced an institutional perspective on foreign entry selection. The institutions perspective presented by them proposes that the choice of organizational structure can be seen as the outcome of organizational response to pressures coming from a firm's external environment and its internal practices and routines. However, this theory is differing from the traditional view that focuses on economic foundation for entry-mode decision. The institutional theory claims that firms choose organizational practices and structures such as entry mode depending on both internal and external factors. There have been many researches done on expansion including the decision on entry mode selection in other many countries. There is gap to undertake additional investigation in light of the variety of strategies and diverse industries within which MNE's operate in Ethiopia.

The purpose of this study is, thus, to provide a deeper understanding of the factors that determine MNE's choice of foreign market entry mode in Ethiopia. The following research questions regarding how market entry mode is influenced by various factors in Ethiopia is raised:

1. How can the influence of external factors on the choice of market mode be described?
2. How can the internal factors on the choice of market entry mode be described?
3. What do foreign companies that have successfully entered Ethiopia consider as key factors affecting the entry mode used in Ethiopia?

SCOPE AND LIMITATION OF THE STUDY

DELIMITATION OF THE STUDY

The study mainly focuses on Entry mode choices of Multinational enterprises (MNEs) in Ethiopia. The investigation focuses on factors or determinates of entry mode selection of MNEs in Ethiopia. All modes of entry would be difficult for getting the companies to fill the data. So, trade modes such as exporting and contractual modes were emphasized since some of the companies such as Ethiopian companies operating abroad and their customers there could not be easily accessed to provide the data needed.

LIMITATION OF THE STUDY

The major limitations which the researcher faced in the due course of the investigation till the production of the final paper were

- ☞ Unwillingness of some of the respondent
- ☞ Reduced size of the target respondents to 70 firms due to unavailability or wrong address of the companies or unavailability of the company managers inside Ethiopia and due to limited budget to incorporate large sample. This in turn might affect the reliability of the result.
- ☞ The open ended questionnaire which might have restricted the respondents to chose only approximates what the researcher has purported them to respond.
- ☞ Limited time and budget to discuss all dimensions of foreign entry mode determining factors.

RESEARCH METHODOLOGY

In this research undertaking, a descriptive approach was used to provide deeper understanding of the factors that determine MNC's choice of foreign entry selection. Both qualitative and quantitative methods of data analysis have been employed. The research used survey of subjects for the purpose. Target subjects were foreign companies operating in Ethiopia with branch offices in Addis Ababa.

SAMPLING PROCEDURE

Convenience sampling and simple random sampling were used. Since the last twenty three years there have been more than 7000 foreign companies operating in Ethiopia. For the purpose of the study data was taken out of 560 foreign companies registered since 2006 till 2012 and 45 other foreign registered companies in Ethiopia before or after 2006 till 2006. So, out of 605(560+45) populations, 120 were selected by simple random sampling from the foreign companies found in different sub cities of Addis Ababa. As mentioned in the limitation of the survey, the researcher was forced to reduce the sample to those conveniently fill the data and whose address was correctly identified. So, a mixture of simple random sampling along with convenience sampling was applied.

DATA COLLECTION AND ANALYSIS PROCEDURES

Data was collected using primary and secondary method of data gathering. Books, journals, articles, and internet were means for secondary sources and managers of firms and owners and employees, Ethiopian Investment Agency, Ethiopian Ministry of Trade and Industry and Chamber of Commerce were primary sources. The collected data was presented using tables and graphs and necessary statistical tools such as mean, percentage and ranking using SPSS were employed for analysis as the case demands. Questionnaire and interview were used to collect primary data from companies' managers and employees.

REVIEW OF RELATED LITERATURE

From the analysis of the literature study, entry-mode can be defined as "a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations, either by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)". According to Bradley (2002), and Jeannet and Hennessey (2001), the principal foreign market entry-modes can be classified into three categories:

i. Export entry-modes:

1. Indirect export; and
2. Direct export.

ii. Contractual entry-modes:

Licensing, franchising, technical agreement, service and management turnkey contracts, co-production agreement, contract manufacture.

iii. Investment entry-modes:

3. Joint ventures(JVs) used when resources are limited and knowledge dissipation risk is manageable; and
4. Foreign direct investment (FDI) and acquisition, used when knowledge dissipation risk is high and the firm has the requisite resources.

Each of the entry-mode above has its own advantages and disadvantages; one entry-mode cannot be suitable for all the foreign companies. The entry-mode selection decision is one of the most complex and important decisions faced by a global company. According to several studies (Cateora & Graham, 2007; Onkivist and Shaw2005; Doole and Lowe,2004; Sharan,2006; Meloan and Graham,1995)those main factors that must be taken into account in the selection of a mode of entry are firm's objective, firm's size, experience ,firm's product, characteristics from each entry-mode, political factors, economic factors ,socio-cultural factors, and technological factors.

ANALYSIS AND INTERPRETATION OF DATA

FACTORS AFFECTING FIRMS ENTRY MODE CHOICE

Two perspectives of firms entry mode factors have been analyzed, namely, internal factors and external factors. Out of 70 questionnaires distributed to sample respondents, 40 questionnaires which were filled completely are valid and considered for analysis. The questionnaire return rate was 57%.

i. INTERNAL FACTORS

The internal factors affecting firms' entry modes as identified from the questionnaire analysis turned out to be as follows.

TABLE 1: THE FIRM'S OBJECTIVE

Response Item	Respondents (number)	Percentage (%)
Irrelevant	2	0.05
Not important	2	0.05
Neutral	3	0.075
Important	28	0.7
Very important	5	0.125
Total	40	1

Source: Survey 2011/12

For the firm's objectives, the highest percentage (70%) of respondents selected the option *important*, followed by *very important* (12.5%), and *neutral* (7.5%).

TABLE 2: THE FIRM'S SIZE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	1	0.025
Not important	2	0.05
Neutral	5	0.125
Important	8	0.2
Very important	24	0.6
TOTAL	40	1

Source: Survey 2012

For the firm's size, from 40 respondents, the highest percentage (60%) of respondents selected the option *very important*, followed by *important* (20%), and *neutral* (12.5%).5% of the respondents chose *not important* for the answer.

TABLE 3: THE FIRM'S EXPERIENCE IN INTERNATIONAL MARKETING

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	3	0.075
Neutral	4	0.1
Important	15	0.375
Very important	28	0.7
TOTAL	40	1

Source: Survey 2011/12

The highest percentage (70%) of respondents selected the option *very important*, followed by *important* (37.5%), and *neutral* (10%). None of the respondents chose irrelevant for the answer.

For Table 4 through Table 13 see annex.

From internal factors, firm's experience, control of entry mode, investment relatedness and firm size, resource commitment and flexibility are considered the most relevant factors by the foreign companies to make marketing operations Ethiopia.

II. EXTERNAL FACTORS

External factors are those which come from the market environment related to the company, which includes the political environment, the economic environment, the socio-cultural environment and the technological environment (Phatak et al, 2005).

TABLE 14: POLITICAL FACTORS

Political factors	Irrelevant		Not important		Neutral		Important		Very Important	
	No.	%	No.	%	No.	%	No.	%	No.	%
Government stability in Ethiopia	4	.1	4	.1	2	.05	10	.25	20	.50
Government labour regulations in Ethiopia	3	.075	2	.05	7	.175	16	.40	12	.30
Import restrictions in Ethiopia	2	.05	3	.075	3	.075	22	.55	10	.25
Taxation policies in Ethiopia	1	.025	1	.025	5	.125	16	.40	17	.425
Incentive by government to Foreign investment	1	.025	3	.075	9	.225	16	.40	11	.275
Tariffs in Ethiopia	1	.025	4	.1	7	.175	18	.45	10	.25
Barriers to conversion and repatriation of income	2	.05	3	.075	10	.25	15	.375	10	.25
Political relationships between Ethiopia and home country	1	.025	1	.025	5	.125	13	.325	20	.5
Ability of host country to enforce existing laws	3	.075	6	.15	9	.225	14	.35	8	.20
Efficiencies of government agencies and institutions	1	.025	4	.1	13	.325	7	.175	15	.375
Legal restrictions to foreign ownership	3	.075	5	.125	18	.45	8	.20	6	.15

Source: Survey 2011/12

An analysis of Table 14 indicates the following:

- Concerning government stability in Ethiopia ,from 40 respondents, the highest percentage (50%) of respondents selected the option *very important*, and few (10%) of the respondents chose *not important* or *irrelevant* for the answer; For government labour regulations, the highest percentage (40%) of respondents selected the option *important*; For import regulations , the highest percentage (55%) of respondents selected the option *important*; For taxation policies , the highest percentage (42.5%) of respondents selected the option *very important*; Concerning foreign investment regulations in Ethiopia, the highest percentage (40%) of respondents selected the option *important*; Regarding tariffs in Ethiopia the highest percentage (45%) of respondents selected the option *important*; and concerning political relationships between Ethiopia and the firm's home country, the highest percentage (50%) of respondents selected the option *very important*.

TABLE 15: SOCIO-CULTURAL FACTORS

Socio cultural factors	Irrelevant		Not important		Neutral		Important		Very Important	
	No.	%	No.	%	No.	%	No.	%	No.	%
Population in Ethiopia	-	-	2	.05	9	.225	17	.425	12	.3
Life style in Ethiopia			2	.05	13	.325	18	.45	7	.175
Attitude and values in Ethiopia			7	.175	6	.15	17	.425	10	.25
Religion in Ethiopia	4	.125	4	.125	26	.65	10	.25	6	.15
Official language in Ethiopia	3	.075	4	.1	16	.4	11	.275	6	.15
Trade union in Ethiopia	2	.05	7	.175	12	.3	13	.325	6	.15
Education in Ethiopia	1	.025	6	.15	5	.125	15	.375	13	.325

Source: Survey 2011/12

An analysis of Table 15 shows the following:

- Concerning population size, the highest percentage (42%) of respondents selected the option *important*, and none of the respondents chose *irrelevant*; for lifestyle, the highest percentage (47%) of respondents selected the option *important*; regarding attitude and values in Ethiopia, the highest percentage (42.5%) of respondents selected the option *important*; for religion, the highest percentage (65%) of respondents selected the option *neutral* and only 15% of the respondents chose *very important* for the answer; Regarding official languages, the highest percentage (40%) of respondents selected the option *neutral*, and only 15% of the respondents chose *very important* for the answer; for education, the highest percentage (37.5%) of respondents selected the option *important*, and only 2.5% of the respondents chose *irrelevant* for the answer.

For Table 16 through table 17, see annex.

From external factors studied, the most important influencing factors for political sub factors are government stability and government regulations, import regulations and tariffs; for socio cultural sub factors, the most influencing factor is life style; for economic factors, the most influencing factors are growth rate of GDP, labor cost in Ethiopia, economy size and cooperation between home and host country; for technological factors, transport network and intellectual property rights are the most significant factors. Fifty percent of the respondents are neutral about religion and interest rate.

A QUANTITATIVE ANALYSIS OF THE RESEARCH FINDINGS

This section will use the quantitative method to analyse the result received above. Saunders, Lewis and Thornhill (1997) point out that the mean is the most frequently used measure of all data values in its calculation. In this research, the mean scores of response will be used to determine the rank order of the importance of those factors.

TABLE 18: IMPORTANT RANK OF THE MAIN FACTORS

Main influence factors	N	Mean	Rank
Firm's objective	40	3.83	8
Firm's size	40	4.22	3
Firm's Experience in international marketing	40	4.15	4
Diversification mode experience	40	3.30	15
Firms Product	40	4.05	6
investment relatedness of line of business	40	4.25	2
Control level of entry-mode	40	5.33	1
Dissemination risk of entry-mode	40	3.78	9
Resource commitment of entry-mode	40	4.03	7
flexibility of entry-mode	40	3.50	14
Ownership of entry-mode	40	3.70	11
Political factors	40	3.67	13
Socio-cultural factors	39	3.67	12
Economic factors	39	4.11	5
Technological factors	40	3.72	10
Valid N (list wise)	39		

Source: Survey 2011/12

According to Table 18 above, the important rank of the main factors considered for entry in Ethiopia, as indicated by the respondents, is listed as follows in order of relevance:

- Control level of entry-mode
- Investment relatedness of line of business
- Firm's size
- Firm's Experience in international marketing
- Economic factors
- Firms Product
- Resource commitment of entry-mode
- Firm's objective
- Dissemination risk of entry-mode
- Technological factors
- Ownership of entry-mode
- Socio-cultural factors
- Political factors
- Flexibility of entry-mode
- Diversification mode experience

TABLE 19: IMPORTANT RANK OF POLITICAL FACTORS

Political factors	Mean	Rank
Government stability in Ethiopia	4.00	3
Government labour regulations in Ethiopia	3.87	5
Import restrictions in Ethiopia	3.86	7
Taxation policies in Ethiopia	4.11	2
Foreign investment regulations in Ethiopia	3.97	4
Tariffs in Ethiopia	3.86	7
Political relationships between Ethiopia and home country	4.24	1

Source: Survey 2011/12

According to Table 19 above, the important rank of the political factors in Ethiopia, as indicated by the respondents, is listed as follows:

- Political relationships between Ethiopia and home country
- Taxation policies in Ethiopia
- Government stability in Ethiopia
- Foreign investment regulations in Ethiopia
- Government labour regulations in Ethiopia
- Import restrictions in Ethiopia
- Tariffs in Ethiopia

TABLE 20: IMPORTANT RANK OF THE SOCIO-CULTURAL FACTORS

Socio-cultural factors	Mean	Rank
Population in Ethiopia	4.08	1
Lifestyle in Ethiopia	3.78	4
Attitude and values in Ethiopia	3.79	3
Religion in Ethiopia	3.24	7
Official languages in Ethiopia	3.42	5
Trade union force in Ethiopia	3.38	6
Education in Ethiopia	3.89	2

Source: Survey 2011/12

According to Table 20 above, the important rank of the socio-cultural factors in Ethiopia, as indicated by the respondents, is listed as follows:

- Population in Ethiopia
- Education in Ethiopia
- Attitude and values in Ethiopia
- Lifestyle in Ethiopia
- Official languages in Ethiopia
- Trade union force in Ethiopia
- Religion in Ethiopia

TABLE 21: IMPORTANT RANK OF THE ECONOMIC FACTORS

Economic Factors	Mean	Rank
Size of economy in Ethiopia	3.87	5
Growth rates of GDP in Ethiopia	4.03	1
Inflation rates in Ethiopia	3.87	5
Interest rates in Ethiopia	3.42	8
Exchange rates in Ethiopia	3.76	6
Unemployment rates in Ethiopia	3.70	7
Labour cost in Ethiopia	4.00	2
Economic co-operation between Ethiopia and home country	3.99	3

Source: Survey 2011/12

According to Table 21 above, the important rank of the economic factors in Ethiopia, as indicated by the respondents, is listed as follows:

- Growth rates of GDP in Ethiopia
- Labour cost in Ethiopia
- Economic co-operation between Ethiopia and home country
- Size of economy in Ethiopia
- Inflation rates in Ethiopia
- Exchange rates in Ethiopia
- Unemployment rates in Ethiopia
- Interest rates in Ethiopia

TABLE 22: IMPORTANT RANK OF THE TECHNOLOGICAL FACTORS

Technological Factors	Mean	Rank
Communication infrastructure in Ethiopia	3.74	3
Transport network in Ethiopia	3.89	2
Labour skill in Ethiopia	3.74	4
Government spending on research in Ethiopia	3.45	5
Intellectual property protection in Ethiopia	3.34	6
Speed of technology transfer in Ethiopia	3.92	1

Source: Survey 2011/12

According to Table 22 above, the important rank of the technological factors in Ethiopia, as indicated by the respondents, is listed as follows:

- Speed of technology transfer in Ethiopia
- Transport network in Ethiopia
- Communication infrastructure in Ethiopia
- Labour skill in Ethiopia
- Government spending on research in Ethiopia
- Intellectual property protection in Ethiopia

INTERVIEW ANALYSIS

The interview made to fifteen foreign companies consisting of eight questions indicated the following.

- ☞ Majority of the respondents agreed
 - That there are competitors for their products/ firms.
 - On problems of incentives and investment friendly policy by government
 - On insufficiency of R&D facilities. The R&D facilities would help the firms acquire tangible assets
 - On insufficiency or low quality of infrastructure
 - About Positive influence of government for companies to enter Ethiopia
 - On lack of skilled customers and workers
- ☞ All of the companies entered Ethiopia in line with their already established business area internationally
- ☞ Major factors for choosing Ethiopia, especially Addis Ababa are business opportunity, some facilities availability, Addis Ababa facilitating transaction better than regions, location of trade and industry minister in Addis Ababa.
- ☞ Lack of port negatively influenced but nearness to Europe and availability of raw materials are considered positive influencers
- ☞ Most important additional factors to enter Ethiopia are land availability, favorable climate, market condition, cheap labor, government support and the like.

Solutions suggested by the companies' managers to improve entry constraints to Ethiopian market consist of the following:-

- Allowing foreigners to trade
- Improving investor friendly infrastructure
- Consistent and transparent regulation and laws by the government
- Improving exchange and tax rate
- Incentive for exporters and local producers
- Fixed restriction to imports
- Improving skilled labour force.

CONCLUSION

Based on the factors related in the literature study, an empirical survey was designed to identify the important rank of those factors. Forty foreign companies operating in Ethiopia were chosen as a sample in this research. The questionnaire was designed with related questions to address those foreign companies which have already successfully entered Ethiopia.

Significant factors both internal and external influencers have been identified.

The important rank of the factors identified by those selected respondents consists of the following sequentially:

- Control level of entry-mode
- investment relatedness of line of business
- Firm's size
- Firm's Experience in international marketing
- Economic factors
- Firms Product
- Resource commitment of entry-mode
- Firm's objective
- Dissemination risk of entry-mode
- Technological factors
- Ownership of entry-mode
- Socio-cultural factors
- Political factors
- Flexibility of entry-mode
- Diversification mode experience

The interview made to managers of fifteen foreign firms in Ethiopia signifies the following major challenges.

- Competitor industry and product, local law problems(for specific products), not taking Ethiopia as initial base in foreign operations, little or insufficient R&D facilities, poor infrastructure, lack of transparency by government authorities, and proximity problems to international markets, lack of skilled customers and human resource.

On the other hand, Addis Ababa being central location of Ethiopia and federal city market made it preferred by foreign firms. Climate conditions, low cost of land by government, and cheap labor costs are considered favorable in Ethiopia.

RECOMMENDATIONS

Based on the findings the following recommendations are forwarded.

- FDI is recommended from control point of view and to ensure investment relatedness of line of business and since different markets can better be served with different products but bearing the limitations of this mode of entry like level of technology in the host country.
- The Ethiopian Investment Agency trade and industry bureau and foreign affairs ministry should do more work on strengthening the links with foreign investors in Ethiopia and make clear policy guidelines in the taxation of foreign investors business. FDI is recommended since it enhances the political and bilateral relationship with host country firms
- The people of Ethiopia are ethnically, linguistically and culturally diverse, and there is skilled manpower educated at primary, secondary and tertiary level and that can meet the demands of skill intensive industry. Since the country has multicultural people, it would be advisable for the foreign firms to test by exporting and then apply production to exploit high population which would mean high market potential and skilled labour force that can be used for their industry.
- Literature in Ethiopian business indicates that there are indicators of trainable labour force in the country and foreign firms can utilize these labour forces by investing here or by making a joint venture with local firms or by acquiring firms which are operating at low level of productivity in the country. But, based on the empirical findings, the foreign firms give highest consideration for the growth of GDP in the Ethiopia and there must be caution for the foreign firms that the per capita income and their modes of entry must go in similar direction. If they opt for foreign direct investment, they have to get back their investment by getting adequate market for their products in Ethiopian market and to this end exporting might be the best avenue for these firms to minimize the risk of low per capita although they can get some benefit from the cheap labour had they chosen FDI in Ethiopia.
- It is important for the government to increase the construction of road facilities and to enhance the telephone usage rate more to access every corner of the globe both domestically and internationally faster. The concerned government authorities like telecommunication corporation board, Road authority and railway officials need to work on the strengthening of these infrastructures.
- It would be better to opt for licensing or franchising in case of technology transfer, strategic alliance, contract manufacture or joint venture as the case demands to enter the Ethiopian market.

- The researcher would also like to recommend those suggested solutions by the foreign companies' managers such as allowing foreigners to trade, improving investor friendly infrastructure and transparent policy and laws, improving exchange and tax rate in line with global business environment, providing incentives for exporters and local producers to participate in global market, fixed restrictions on imports and improving skilled labour force.

SUGGESTIONS FOR FUTURE RESEARCH

Depending on this research undertaking any interested researcher can carry forward research undertaking taking into account:-

The limitation of the research specifically attempting to resolve problems of unwillingness of some respondents to participate in the research which was faced by this research. This could be made via awareness creation by a researcher, by getting assistance from concerned government officials in facilitating the required data for research, use of appropriate incentive for respondents which might demand some amount of budget by future researcher.

Using appropriate data analysis particularly advanced parametric or non-parametric data analysis techniques depending of the distribution of data. It is to be noted that mean and ranking of relevant factors considered by foreign companies to enter in Ethiopia have been done in this research.

Incorporating of regional states in Ethiopia apart from foreign companies found in Addis Ababa since the current study focused mainly on foreign companies found in Addis Ababa on the assumption that companies in Addis Ababa would represent companies in the regions and for the reason stated under limitation of the study.

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ANNEXURE

TABLE 5: DIVERSIFICATION MODE EXPERIENCE FREQUENCY

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	1	0.025
Not important	7	0.175
Neutral	18	0.45
Important	6	0.15
Very important	8	0.2
TOTAL	40	1

Source: Survey 2011/12

TABLE 6: THE FIRM'S PRODUCT

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	1	0.025
Not important	0	0
Neutral	1	0.025
Important	14	0.35
Very important	24	0.6
TOTAL	40	1

Source: Survey 2011/12

TABLE 7: INVESTMENT RELATEDNESS OF THE PRODUCT LINE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	1	0.025
Not important	0	0
Neutral	1	0.025
Important	22	0.55
Very important	26	0.65
TOTAL	40	1

Source: Survey 2011/12

TABLE 8: THE CONTROL OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	0	0
Neutral	5	0.125
Important	18	0.45
Very important	27	0.675
TOTAL	40	1

Source: Survey 2011/12

TABLE 9: THE DISSEMINATION RISK OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	9	0.225
Neutral	10	0.25
Important	10	0.25
Very important	11	0.275
TOTAL	40	1

Source: Survey 2011/12

TABLE 10: THE RESOURCE COMMITMENT OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	1	0.025
Not important	2	0.05
Neutral	3	0.075
Important	22	0.55
Very important	12	0.3
TOTAL	40	1

Source: Survey 2011/12

TABLE 11: THE FLEXIBILITY OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	8	0.2
Neutral	9	0.225
Important	19	0.475
Very important	4	0.1
TOTAL	40	1

Source: Survey 2011/12

TABLE 12: THE OWNERSHIP OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	6	0.15
Neutral	6	0.15
Important	17	0.425
Very important	11	0.275
TOTAL	40	1

Source: Survey 2011/12

TABLE 13: OWNERSHIP TYPE (JOINT VENTURE/WHOLLY OWNED)

Response Item	Respondents	
	No.	Percentage(%)
Irrelevant	3	0.075
Not important	6	0.15
Neutral	4	0.1
Important	13	0.325
Very important	15	0.375
TOTAL	40	1

Source: Survey 2011/12

TABLE 16 ECONOMIC FACTORS

Economic factors	Irrelevant		Not important		Neutral		Important		Very Important	
	No.	%	No.	%	No.	%	No.	%	No.	%
Size of economy in Ethiopia	-		5	.125	4	.1	18	.45	13	.325
Growth rates of GPD in Ethiopia	1	.025	2	.05	9	.225	15	.375	15	.375
Inflation rates in	-		5	.125	15	.375	9	.225	11	.275
Interest rates in Ethiopia	1	.025	2	.05	21	.525	9	.225	7	.175
Exchange rates in Ethiopia	1	.025	3	.075	6	.15	19	.475	11	.275
Unemployment rates in Ethiopia	5	.125	2	.05	5	.125	16	.40	12	.30
Labour cost in Ethiopia	1	.025	2	.05	3	.075	20	.50	14	.35
Economic co-operation between Ethiopia and home country	1	.025	4	.1	7	.175	10	.25	18	.45

Source: Survey 2011/12

TABLE 17: TECHNOLOGICAL FACTORS

Technological factors	Irrelevant		Not important		Neutral		Important		Very Important	
	No.	%	No.	%	No.	%	No.	%	No.	%
Communication infrastructure in Ethiopia	3	.075	7	.175	3	.075	14	.35	13	.325
Transport network in Ethiopia	-		6	.15	3	.075	20	.5	11	.275
Labour skill in Ethiopia	2	.05	4	.1	10	.25	14	.35	10	.25
Government spending on research in Ethiopia	2	.05	6	.15	13	.325	10	.25	9	.225
Intellectual property protection in Ethiopia	2	.05	8	.2	15	.425	7	.175	8	.2
Speed of technology transfer in Ethiopia	-		4	.1	9	.225	14	.35	13	.325

Source: Survey 2011/12

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