**How Firms Learn about Entering International Markets:
An Examination of Indonesian Companies**

by

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ABSTRACT

This thesis presents empirical research that examines how Indonesian firms learn about entering international markets. It extends the contribution of the organisational learning literature to the field of international business, which has stressed experiential knowledge, by examining both first- and second-hand experience in the firm's learning process for entering international markets. Specifically, as this study was conducted in Indonesia, it also extends the contribution of institutional theory to the field of international business.

Two research questions underlie the study: how Indonesian firms absorb knowledge about entering international markets and how Indonesian firms use their absorptive capacity to approach international markets. Nine hypotheses were developed. Hypotheses 1-7 examine the process of how Indonesian firms absorb, acquire and assimilate knowledge about entering international markets, through their first- and/or second-hand experience. Hypotheses 8 and 9 examine the process of how Indonesian firms use their absorptive capacity to approach international markets.

In order to empirically test the hypotheses, this study adopted a mixed methodology research approach. Qualitative and quantitative approaches were employed sequentially. The study involved export manufacturing firms from low- and high-technology oriented industries.

The qualitative study was used to confirm, extend and modify the set of independent variables originating from the literature. For the quantitative stage, a self-administered survey was sent to 1575 Indonesian manufacturing firms, identified using the official exporters database as well as information from related industry associations. After extensive follow up, including phone contact, distributing questionnaires in person at association meetings and using personal networks, the sample consists of 103 usable responses, for an 8% response rate.

This study has four major findings. First, absorptive capacity (AC) about entering international markets has four dimensions: market, operational technology, strategic technology and international business strategy. These four dimensions differ to the two dimensions generally identified in the absorptive capacity literature: market and technology. The previously-identified technological dimension was split into two (operational technology and strategic technology), based on factor analysis of the sample data, while the international business strategy dimension was added, based on literature associated with experiential knowledge. This suggests that Indonesian firms are developing not only strategic, but also operational, technology in order to be able to compete in international markets. This finding differs to the current literature that stresses absorptive capacity related primarily to strategic technology. Moreover, this study also found that international business strategy may be developed from both first- and second-hand experience.

Second, this study measured first-hand international experience using three indicators: country experience, ratio of exporting and length of exporting. First-hand international experience with respect to sales ratio relates to the market and operational technology dimensions of absorptive capacity. However, when the analysis was conducted including both first- and second-hand experience, different results were obtained. The development of market and operational technology AC was no longer associated with any of the measures of first-hand experience, but rather with buyers. Third, this study identified key contributors from which firms access second-hand experience for the development of their absorptive capacity about entering international markets, considering both buyer-supplier and non buyer-supplier relationships. In a model that included both first- and second-hand experience, the aspects of second-hand experience that was positively associated with the firm's absorptive capacity development are: main buyers (which contribute to all dimensions of absorptive capacity), foreign competitors and universities (which contribute to strategic technology AC), and attending foreign exhibitions (which contributes to operational and strategic technology AC). In

addition, when the model only included second-hand experience, domestic competitors appeared to be positively associated with market related AC. Contrary to predictions, reading published standards was negatively associated with the development of strategic technology AC. Fourth, this study found that Indonesian firms tend to follow the lead of foreign multinational enterprises (FMNEs) operating in Indonesia, in terms of their decisions about choosing target markets and entry modes. These findings were surprising, as the analysis suggested that the actions of FMNEs in Indonesia were not related to firms' absorptive capacity development. This finding provides evidence of the applicability of institutional theory for developing country firms' learning about entering international markets.

In summary, this study found that both first- and second-hand experience, in both buyer-supplier and non buyer-supplier relationships, matter in the development of a firm's absorptive capacity pertaining to internationalisation. The organisational learning and institutional literatures complement the international business literature, in terms of understanding how Indonesian firms learn about entering international markets. The mixed sequential qualitative-quantitative methodology proved useful for developing this more nuanced consideration of learning and internationalisation in this exploratory study.

Key words: Absorptive capacity, experience, knowledge, institutional theory, internationalisation process, Indonesia, mimetic behaviour.

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LIST OF ABBREVIATIONS

FDI	Foreign Direct Investment
FMNE	Foreign Multinational Enterprise
SBU	Strategic Business Unit
SOE	State-owned Enterprise

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CHAPTER ONE

INTRODUCTION

This chapter provides an overview of the study, including background, importance, research questions, methodology, structure and scope. Brief introductions to each of the chapters are also included.

1.1 BACKGROUND

Firms in developing countries are becoming increasingly involved in international markets. Between 1995 and 2006, exports from developing countries grew substantially, by a factor of 2.5 (UNCTAD, 2008). This growth, however, is not evenly distributed across the large number of nations with developing economies. China, India and Russia have been most dynamic of the developing countries engaged in international business activities. In addition to country-level effects, industry and firm characteristics create differences in how internationalisation is conducted (Rhee & Cheng, 2002) creating different growth rates of international activities. International transactions happen at the level of the firm, and internationalisation constitutes a learning process (Autio, Sapienza, & Almeida, 2000, Forsgren, 2002, Johanson & Vahlne, 2003, Johanson & Vahlne, 1977, Johanson & Vahlne, 2009). Given that the internationalisation process of firms from developing countries has been explored only in a limited manner, a study addressing the process by which such firms learn about entering international markets is timely research.

The organisational learning literature notes that firms can learn from their own experience, or from the experience of others (Levitt & March, 1988). Studies of learning through first-hand experience are predominant in the literature (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Eriksson, Johanson, Majkgard, & Sharma, 1997, Hadley & Wilson, 2003, Johanson & Vahlne, 2003). The literature on second-hand experience, on the other hand, is underdeveloped. Moreover, organisational learning studies generally stress the buyer-supplier relationship as a way to learn from second-hand experience (Hult, Nichols Jr., Giunipero, & Hurley, 2000, Yeoh, 2004). Learning from other types of second-hand experience, such as from non buyer-supplier relationships, is explored only in a very limited manner. Because internationalised firms from emerging economies tend to have little first-hand experience, the manner in which such firms learn to enter international markets may differ from that followed by firms from developed countries.

Studies on learning about entering international markets have generally involved firms from developed countries, such as New Zealand (Chetty & Patterson, 2002), the U.K. (Anderson & Skinner, 1999), the U.S. (Zahra, Ireland, & Hitt, 2000). The existing literature on second-hand experience, non buyer-supplier relationships and emerging markets has thus explored only a fairly limited range of situations.

The literature to date emphasises that internationalisation is context specific (Andersson, 2004, Reid, 1983), as is organisational learning (Meyer, 2007). Context varies according to the firm, the industry and the country. For example, firms in the early stage of international development tend to have skills and capabilities different from those of well-established firms. Mature industries have different characteristics from those of new and emerging industries, and the institutional environments of different countries affect firms' opportunities. In a more macro sense, global competition and the acceleration of technological advancement may allow (or force) firms to internationalise faster than predicted by existing theoretical frameworks (Johanson & Vahlne, 2003). Indeed, as has been recognised, international business theory faces the challenge of keeping up with advances in matters such as technology, transport and education (Axinn & Matthyssens, 2002).

In general, this study focuses on organisational learning with respect to entering international markets. The definition of organisational learning used in this study, adapted from that of Fiol and Lyles (1985, p.810) is:

“The development of insights, knowledge, and associations between past *international* actions, the effectiveness of those *international* actions, and future *international* actions” [words in italics added suit the definition to the context of the study].

Indonesia, the fourth most populated country in the world, after China, India and the U.S., has been chosen as the context for this study, representing the

internationalisation of firms from an Asian emerging economy. Asia has been identified as a particularly dynamic region with respect to international business (UNCTAD, 2008).

1.2 SIGNIFICANCE OF THE STUDY

This study focuses on how firms learn about entering international markets, and examines, in particular, Indonesian manufacturing exporters.

The theoretical perspective of organisational learning is used to explain the firm's process of learning to internationalise. The concept of absorptive capacity is used to explore the processes of the acquisition and exploitation of knowledge related to internationalisation. Institutional theory is used to explain how the Indonesian environment shapes firms' learning behaviour and their international decisions. These theories are then related to those of the international business literature.

This research expects to contribute to the field of international business in four areas. The first is in the theoretical domain, where research about learning in international business has, to date, focused on learning from first-hand experience. This study uses organisational learning theory in its examination of how firms can learn from second-hand experience about entering international markets. Thus, it extends the contribution of organisational learning theory to the international business field by examining, in greater depth, Indonesian firms' learning about entering international markets, combining the above literatures.

Two aspects of knowledge have been identified: absorption and exploitation. The absorptive capacity literature is adopted because it recognises and operationalises these two aspects consistently (e.g., (Jansen, Van Den Bosch, & Volberda, 2005, Zahra & George, 2002). By adopting the absorptive capacity perspective, this study also extends the contribution of that literature to the field of international business, by specifically addressing the dimensions

of absorptive capacity in the context of learning about entering international markets. In particular, this study considers which references are associated with development of absorptive capacity and how the absorptive capacity is related to internationalisation decisions.

The adoption of institutional theory to this study of learning about international markets extends the contribution of this perspective to both the international business and organisational learning areas. Institutional theorists hold that it is the environment and the social institutions in which a firm operates that define the firm's behaviour (DiMaggio & Powell, 1983). In the field of international business, internationalisation is viewed as involving both inward and outward linkages (Karlsen, Silseth, Benito, & Welch, 2003, Korhonen, Luostarinen, & Welch, 1996). At the institutional level, the linkages involve the home country government's policies related to internationalisation via foreign direct investment and exporting (Aswicahyono & Feridharnusetyawan, 2004). As Indonesia has introduced such policies, by adopting an institutional perspective, this study sets out to deepen our understanding of the internationalisation decision making processes of Indonesian firms

Organisational learning studies have established a relationship between domestic activities and development of knowledge about international markets (Acedo & Jones, 2007, Blomstermo, Eriksson, & Sharma, 2004). This literature is generally based on firms from relatively small domestic markets, such as Spain (Acedo & Jones, 2007) and Sweden (Blomstermo, Eriksson, & Sharma, 2004), where firms' internationalisation may have been a reaction to their small home markets. This study is set in the context of Indonesia, which has a large home market. By examining Indonesian firms, this study may extend the understanding of how the institutional environment, both at home and in targeted countries, is associated with the process of learning about international markets. Specifically, this study addresses how the contributions of domestic and foreign buyers, foreign multinationals in Indonesia, and

attending domestic and foreign exhibitions may be associated with the firm's knowledge development.

The second area to which this study hopes to contribute is that of research methodology. It uses an exploratory sequential qualitative-quantitative mixed method approach. Although it can lead to a more in-depth understanding of a phenomenon (Hurmerinta-Peltomaki & Nummela, 2006), this method has been used infrequently in international business studies. The research sampling frame constitutes another expected contribution. Existing studies of absorptive capacity development have primarily involved firms from high-tech industries (Cohen & Levinthal, 1990, Fosfuri & Tribo, 2008, Zahra & Hayton, 2008). This study includes firms from both low and high-tech oriented industries. The extension of the research frame to include firms with lower technology orientations may extend the applicability of the absorptive capacity literature to more general learning behaviour about international markets.

Third, the findings of this study, conducted at the firm level, with both interviews and a postal survey, and exploring the process of knowledge absorption and exploitation, are expected to have practical implications to which firms from developing countries can refer, in order to enhance their own learning, first-hand experience, about international markets.

Lastly, this research is expected to have implications for policy development. Examining the learning process in the context of internationalisation, and considering the influence of the institutional environment, this research may provide inputs for the development of international business-friendly policies.

1.3 RESEARCH OBJECTIVES

This study has two objectives.

1. It aims to understand how Indonesian firms absorb knowledge about entering international markets, specifically with respect to how they acquire absorptive capacity. How are first- and second-hand experience

related to the firm's absorptive capacity, which subsequently influences the internationalisation decision?

- b. It aims to understand how firms use this knowledge to approach international markets. Do firms follow the decisions and actions of others with respect to approaching international markets?

1.4 METHODOLOGY

This thesis has adopted an exploratory sequential qualitative-quantitative mixed methodology. The basic rationale for selecting this methodological approach is that research related to both learning about international markets and the Indonesian context is in the development stage. A qualitative, interview-based study was conducted first, to develop a deeper understanding of the subject area, including understanding about which referrals and references are used for learning, and which aspects may be specific to Indonesian firms. The qualitative study resulted in the refinement of hypotheses and the development of the survey instrument for the quantitative study. The outcomes of the qualitative study enabled better identification of a suitable sampling frame, the operationalisation of key constructs, and improved definition of the terms used for the self administered survey. The quantitative data collection and analysis were conducted after the case interviews. The final interpretation of the study starts by discussing the results of the quantitative study, and using the qualitative results to complement the quantitative findings, in order to develop a more comprehensive understanding of the topic.

To avoid systematic differences that may exist between the manufacturing and service sectors, this study focused on the manufacturing sector in Indonesia. Firms both high-tech and low-tech industries were selected for the research, with six industries chosen. The high-tech firms in the study are from the electronics, automotive, and metal and machinery industries, and the low-tech firms from the textile, food and beverages, and furniture and wood working industries. By considering firms with two different industrial orientations and

with different levels of internationalisation, this study set out to develop a more general picture of how Indonesian firms, as examples of developing country businesses, learn about entering international markets.

For the qualitative portion of the study, a multiple purposive sampling approach was taken. Such an approach is designed to pick a small number of cases, aimed at producing the most informative results from the interviews (Teddlie & Yu, 2007), and is considered particularly appropriate for theory development. A combination of theory based, maximum variation and snowball approaches was used in selecting the cases, in order to improve the understanding of the topic of interest (Teddlie & Yu, 2007).

For the quantitative study, anonymous postal questionnaires were sent to all potential respondents listed in the available databases, following pretesting. The survey instrument used previously validated measures, where available, to enhance the validity of the results. When prior measures were not available, previous approaches, along with suggestions and findings from the qualitative portion of the research, guided the development of new measures. The resulting data were analysed using multiple regression and T-testing, in order to test the hypotheses.

1.5 OUTLINE OF THE THESIS

A brief description of each of its seven chapters is presented to provide a roadmap for the thesis.

Chapter 1: Introduction

This chapter provides an overview of the study.

Chapter 2: Literature Review

This chapter reviews the existing research on the key issue of how firms learn to internationalise. It reviews the literatures pertaining to the internationalisation process, organisational learning theory and institutional

theory. The review was conducted to identify gaps in the current literature, especially in the context of how firms from developing countries learn about entering international markets. The chapter also reviews the context of Indonesia, especially with respect to the international business environment.

Chapter 3: Model Development

This chapter presents the development of a model of how firms from a developing country learn about entering international markets. The model stems from the development of two sets of hypotheses. The first relates to how Indonesian firms absorb knowledge about entering international markets, and the second to how Indonesian firms use their absorptive capacity to approach international markets.

Chapter 4: Methodology

This chapter explains how the research for this study was conducted using the sequential qualitative-quantitative mixed methodology. It covers the rationales for selecting the methodology and the steps undertaken at each stage. Detailed explanations are provided for how the cases were selected, how the interview data was collected, how the results were analysed and how they relate to the hypotheses. Finally, the methodology for interpreting the results is presented, in relation to specific questions and with respect to the general goals of the study.

Chapter 5: Qualitative Analysis

This chapter presents the results of the qualitative data collection and analysis. It describes the five case firms, presents within-case analyses of each of the firms, cross-case analyses among these five cases and offers tentative conclusions with regard to the conceptual framework, measures and dimensions of variables, and as to how that framework relates to the subsequent quantitative component of the study.

Chapter 6: Quantitative Analysis

This chapter presents the results and analysis of 103 responses from a self administered postal survey. It presents descriptive results, statistical analysis of the hypotheses, and a summary of findings. One sub-chapter presents the analysis associated with how Indonesian firms absorb knowledge about entering international markets (Hypotheses 1-7). The other sub-chapter presents the analysis associated with how Indonesian firms use the knowledge to approach international markets (Hypotheses 8-9).

Chapter 7: Discussion and Conclusion

This chapter first discusses the findings from both the qualitative and quantitative portions of this study. Then, it summarises the key findings, demonstrates the study's research contributions, acknowledges its limitations and provides suggestions for future research.

CHAPTER TWO

LITERATURE REVIEW

This chapter reviews existing research on the critical issue of how firms learn to internationalise. First, the literature about the internationalisation process is reviewed. Second, the literature relating to the theory of organisational learning is reviewed. The identification of gaps in the research led to the inclusion in the study of two key areas of literature: those relating to absorptive capacity and to institutional theory. These are next reviewed. Fourth, studies pertaining to the internationalisation of firms from emerging markets are discussed. Challenges related to undertaking research in this area are identified, and the history of the internationalisation of Indonesian firms is addressed. Finally, a summary of research gaps across four areas reviewed above is presented and the two research questions that drive this study, developed from these gaps, are elaborated.

The internationalisation process has attracted interest from researchers for several decades. Studies have addressed the extent and patterns of international production (e.g., (Dunning, 2001, Dunning, 1988), while others have focussed on various aspects of entering international markets (Burgel & Murray, 2000, Dalli, 1994, Knight & Cavusgil, 1996, Leonidou & Katsikeas, 1996). Despite the extensive focus on aspects of foreign direct investment, exporting remains the most widely-adopted approach for internationalisation (Knight & Cavusgil, 1996), and this is certainly the case for Indonesian companies. This study reviews the literature on internationalisation, with a focus on expanding into international markets, as this represents a suitable fit with Indonesian firms' situations.

The main body of literature aimed at examining the process of how firms enter international markets deals with the internationalisation process model, which falls within the behavioural school (Coviello & McAuley, 1999, Steen & Liesch, 2007). The section below reviews the seminal work pertaining to the internationalisation process model, which was developed more than two decades ago (Johanson & Vahlne, 1977) and has been reconsidered quite recently by its originators (Johanson & Vahlne, 2009).

2.1 THE INTERNATIONALISATION PROCESS

The traditional internationalisation process model, also called the Uppsala internationalisation process model, as developed by Johanson and Vahlne (1977), stresses that internationalisation is a cyclical process, consisting of state and change aspects (see figure 2.1).

The state aspect includes the firm's market knowledge and commitment, while the change aspect consists of current activities and the commitment decision. The model stresses that a firm's commitment decision and activities are influenced by its market knowledge and commitment. It is a circular process, in which market knowledge is also influenced by the commitment decision and current activities. By being actively involved in foreign markets, firms

gradually build up their knowledge, which is then further used to make internationalisation decisions. Such knowledge is not easy to acquire, and is difficult to transfer. This experiential knowledge is viewed as being critical in the internationalisation process. This model stresses the firm's own, first-hand experience, as a way to acquiring knowledge. This experiential knowledge is developed gradually, given as Johanson and Vahlne (1977) posit, that internationalisation is conducted in sequential, potentially slow, stages.

Figure 2.1 The basic mechanism of internationalisation
(Johanson & Vahlne, 1977)

The internationalisation process model is not universally accepted. Some studies accept the notion that internationalisation happens at a slow pace because firms build up gradually their experiential knowledge (Chetty & Eriksson, 2002, Coviello & Munro, 1997, Pla-Barber, 2001). Others have observed that firms can enter international markets rapidly from inception (McDougall & Oviatt, 1996, McNaughton, 2003, Moen & Servais, 2002, Oviatt & McDougall, 1995, Oviatt & McDougall, 1994, Sharma & Blomstermo, 2003, Zahra, Ireland, & Hitt, 2000). Firms that internationalise early and rapidly are called 'born globals'.

Born global theorists point out that firms with limited experience in foreign dealings can and do internationalise, even though their experiential knowledge is not well developed. For these researchers, the internationalisation process model cannot fully explain the phenomenon of born globals'

internationalisation (Oviatt & McDougall, 1994) and thus needs to be developed more fully, to explain the internationalisation process more generally. Coviello and McAuley (1999) suggest including the relationship perspective, while Steen and Liesch (2007, p.199) comment that, although knowledge is central in the internationalisation process model, Johanson and Vahlne (1977) did not explain this aspect in detail.

Organisational learning theorists recognise that firms may learn from their direct experience – by doing – or from the experience of others (Levitt & March, 1988). This study refers to these approaches as learning from first- and second-hand experience, respectively. Learning from first-hand experience means learning within the boundaries of the organisation, while learning from second-hand experience refers to learning from the experience of network partners (Schwens & Kabst, 2009) or within the community in which the organisation operates, and may include exposure to technology, codes, procedures and routines (Levitt & March, 1988).

The continuous attention paid to their initial model encouraged Johanson and Vahlne to revise and develop their original arguments (Johanson & Vahlne, 2003, Johanson & Vahlne, 2006, Johanson & Vahlne, 1990, Johanson & Vahlne, 2009) and take more explicitly into account the influence of other firms in the process of knowledge acquisition related to internationalisation. For example, Johanson and Vahlne (1977) indicated that the focal firm's commitment and knowledge to internationalise is developed in its current business activities. These current business activities, implicitly involve partners' knowledge and commitments toward the relationships. The most recent version of the internationalisation process model (Johanson & Vahlne, 2009) depicts the influence of relationships on knowledge development by changing the components of the state and change aspects. See figure 2.2, as a revision of the internationalisation process model shown in figure 2.1.

Under the 'State Aspect', the term 'knowledge opportunities' is used to broaden the concept of 'knowledge' in the original model. The term

‘opportunities’ is added to the original ‘knowledge’ because Johanson and Vahlne (2009) maintain that opportunities involves a set of knowledge. In addition, Johanson and Vahlne state that the type of knowledge that is important to the internationalisation process is relationship-specific knowledge.

Figure 2.2 The business network of internationalisation process
(Johanson & Vahlne, 2009)

The term ‘network position’ has replaced ‘market commitment’ in the previous model. Johanson and Vahlne (2009) maintain that commitment happens within the network of relationships, where the network position indicates the extent of the firm’s market commitment in the business network. Under ‘Change Aspect’, the commitment decision is qualified as pertaining to relationships. The current activities are spelled out as learning, creating and trust building. This revision highlights the fact that knowledge and learning are two key components of internationalisation. While Johanson and Vahlne (2009) accept that the term ‘learning’ can reflect a level of abstraction which may not include first-hand experience, they believe that experiential learning is the most important kind of learning and that this happens in the context of buyer-supplier relationships. Thus, the internationalisation process model still emphasises first-hand experience, while implicitly addressing second-hand experience, and the notion that the firm’s learning happens in buyer-supplier relationships.

Johanson and Vahlne (2003) argue that, in a buyer-supplier relationship, a firm has opportunities to learn in three different areas. First, a firm can learn its partner's way of doing business and learn about how and to what extent parties involved in a relationship need to adapt to each other and fit into each other's strategic direction. The knowledge gained can then be used for further international commitment, through the extension of the relationships between firms. Second, from business routines firms learn a range of skills that can be applied in other relationships; for example develop with new customers in situations similar with respect to technology, size, and cultural and institutional settings. Third, firms learn about coordinating activities beyond their existing relationships, on the basis that one activity might influence other activities and include relationships with other actors. Axelsson and Johanson (1992) maintain that firms in a market are interconnected one to the other. Hence, the internationalisation of one firm can lead to learning within the other firms with which it is connected. Firms then may change their approaches to internationalisation in accordance with the extent of their knowledge and networks. Firms thus may learn from others firms' experience, rather than their own. This is learning which comes from second-hand experience.

A review of relevant organisational learning studies is presented in the next section, while hypotheses pertaining to how firms learn from both first- and second-hand experience are developed in chapter 3.

Other studies have found that the internationalisation of the firm is not solely determined by buyer-supplier relationships. Social networks, such as relationships with research institutes (McAuley, 1999), government assisted export networks (Patterson & Chetty, 2003), former employees of the firm (Chetty & Blankenburg Holm, 2000), and the internet (Gabrielsson & Kirpalani, 2004) also play a role. From these social networks, firms have the ability to understand and respond to the needs and demands of the export market. Few studies, however, have examined the roles of both first- and second-hand experience in the internationalisation process of the firm and how

both buyer-supplier and non buyer-supplier relationships relate to the internationalisation of the firm.

The internationalisation process model certainly considers the firm as a member of a business network (Johanson & Vahlne, 2009), but has concentrated mainly on the focal firm (Johanson & Vahlne, 1977) and has only just recently come to consider the environment in which the firm operates. It has assumed that it is only through its own activities that the firm develops enough knowledge to allow it actively to enter international markets (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Chetty & Eriksson, 2002, Forsgren, 2002). A few studies based on this model have considered relative knowledge development where a firm's knowledge is assessed against that of other firms. Chetty and Blankenburg-Holm (2000) found that internationalisation is driven by the most knowledgeable party. Lindstrand (2003) adds that internationalisation may be considered as a market force that allows firms to stay in business. The revised model acknowledges the mutual commitment between firms in a business relationship (Johanson & Vahlne, 2009), but explores the decision making process only in a limited way.

One of the limitations of this internationalisation process model is that it views learning to internationalise and deciding to internationalise as deliberate actions. In fact internationalisation is not always the product of a firm's initiative. Rather it can be the outcome of environmental forces. Consequently, to understand how a firm learns about international markets, researchers need to take both the firm and the market situation into account.

Internationalisation is very context specific (Andersson, 2004, Reid, 1983), with regard to firm, industry and country. Firms in the early stage of international development tend to have skills and capabilities different from those of well-established firms. Mature industries have different characteristics from those of infant industries. Global competition and the acceleration of technological advancement may force firms to internationalise faster than predicted by the internationalisation process model (Johanson &

Vahlne, 2003, p.83). Indeed, it has been argued that the internationalisation of a firm depends on the growth stages of both the firm and the industry (Andersson, 2004).

At a country level, government policy may contribute to the development of knowledge. Technology transfer such as in joint ventures, licensing, turn-key projects, may contribute to knowledge transfer from foreign firms to domestic firms (Thee Kian, 2005), and so facilitate the internationalisation of the firm (Karlsen, Silseth, Benito, & Welch, 2003, Korhonen, Luostarinen, & Welch, 1996). Importantly, Lee and Tan (2006) found that the economic growth of countries that adopt policies of technology transfer differs from one to the other. Country specific situations may create variation in the learning process and/or the approach that a firm uses to enter international markets.

In summary, the internationalisation process model emphasises that knowledge underlies the internationalisation decision. The revised internationalisation process model presents knowledge and learning as the two components of this model, with knowledge part of the aspect of state and learning part of the aspect of change. Three areas of importance with regard to learning about entering international markets have not to date been addressed in the internationalisation process model literature. First, the international process model stresses first-hand experience as a way to acquire knowledge and to make decisions regarding internationalisation. It addresses absorbing knowledge from second-hand experience only in a limited way. Second, the internationalisation process model focuses on the buyer-supplier relationship, while the empirical evidence shows that non buyer-supplier relationships also play a role in the firm's internationalisation. Third, the internationalisation process model acknowledges only in a limited way the influence other actors in a market, such as buyers, suppliers, competitors and government have on the firm's decision about entering international markets.

2.2 ORGANISATIONAL LEARNING

The internationalisation process model is framed by organisational learning theory (Coviello & McAuley, 1999, Johanson & Vahlne, 1977, Johanson & Vahlne, 2009, Petersen, Pedersen, & Lyles, 2008). This section reviews two aspects of organisational learning. First, it discusses the definition and perspectives of organisational learning in the organisational and international business literatures. This discussion leads to a definition of learning for this study, which is learning about entering international markets. Second, it reviews the operationalisation of organisational learning in organisational and international business studies. Lastly, a summary of research gaps in the existing literature is presented.

2.2.1 Differing perspectives in organisational learning studies

Definitions of organisational learning differ across the studies (Crossan & Berdrow, 2003, Crossan, Lane, & White, 1999, Man, Dimovski, & Skerlavaj, 2007). For example, Dosi and Marengo (2007) define organisational learning as “...a process through which routine is formed and organisational knowledge is created and stored ...”, for acquiring and adapting organisation competencies or capabilities (Dosi & Marengo, 2007, p.494). Others define organisational learning as a process in which there is a gap between expected results and outcomes (Petersen, Pedersen, & Lyles, 2008, Van de Ven & Polley, 1992).

Two views of the organisational learning process emerge. One considers organisational learning as a deliberate process that is part of a firms’ strategy (Crossan & Berdrow, 2003, Kuwada, 1998), such as to strategically maximise the economic benefit of learning (Dosi & Marengo, 2007). This is an outcome oriented view. The other considers organisational learning as a trial and error process within an organisation (Van de Ven & Polley, 1992), for solving problems, for example, when a limited amount is known (Dosi & Marengo, 2007) or exploring stored knowledge (Nonaka, Toyama, & Konno, 2000) This is a process oriented view. These two differing perspectives and orientations

have resulted in differing understandings of organisational learning (Bell, Whitwell, & Lukas, 2002, Fiol & Lyles, 1985).

Fiol and Lyles (1985) suggested a definition of organisational learning that encompassed both views, viz “...the development of insights, knowledge, and associations between past actions, the effectiveness of those actions, and future actions...” (p. 811). This definition addressed the similarities in the competing views, by seeing learning as a process of alignment with the environment, at an organisational level, and by considering contextual factors. Both the strategic and adaptive views agree that the main goal of learning is to improve organisational survival measured by the firm’s ability to adapt to the environment. The learning that happens at the organisational level is not simply an accumulation of individual learning. The organisational level of learning covers the strategic management of organisational routines, such as systems, norms (Fiol & Lyles, 1985), and culture (Schein, 1996). Contextual factors, such as culture, strategy, structure and the environment (Fiol & Lyles, 1985) in which the firm operates may help to explain why and how learning happens.

These differing views persisted when organisational learning theory was addressed in international business literature. For example, organisational learning theorists claim that organisational learning may involve a change in states of knowledge (Fiol & Lyles, 1985). Knowledge refers to what an organisation has known (Bell, Whitwell, & Lukas, 2002) and so can use for the learning process. The internationalisation process model (Johanson & Vahlne, 1977, Johanson & Vahlne, 2009) recognises two aspects of internationalisation: state and change. The revised version (Johanson & Vahlne, 2009) specifies that the ‘State’ aspect includes knowledge, while the ‘Change’ aspect includes learning (see figure 2.2). Knowledge in the state aspect pertains to the internationalisation commitment decision while learning in the change aspect involves the knowledge development process. This model provides support for the notion that learning encompasses both processes and outcomes (Dodgson, 1993).

Fiol and Lyles (1985)'s definition of organisational learning as:

“... the development of insights, knowledge, and associations between past *international* actions, the effectiveness of those *international* actions, and future *international* actions...” (with words in italics added to situate the definition to the present context)

has been adopted for this study of the process whereby Indonesian firms learn about international markets and of the outcome of that process in the approach they take to enter such markets.

2.2.2 The dimensions of organisational learning

Organisational learning is a concept with multiple dimensions (Forsgren, 2002). Previous studies have explored organisational learning along at least one of the following five dimensions: type of knowledge involved (tacit versus explicit); level of the learning process (first- versus second-order learning); mode of learning (experiential versus non-experiential); boundary of organisational learning (within versus between organisations, which indicates the unit of analysis of organisational learning: individual, group, organisational, inter-organisational levels); and path of the knowledge creation (linear versus spiral). These five dimensions of organisational learning are reviewed below.

Type of knowledge

Knowledge is frequently referred to in organisational learning literature. Knowledge is a regulator and an enabling source of the firm's action (Yli-Renko, Autio, & Tontti, 2002). Nonaka (1994) writes that knowledge is ‘justified true belief’, which includes cognitive interpretation within the information processing system and relates to action. In other words, knowledge is not just a series of facts or information, but processed information, which has meaning and can be useful to guide decisions and actions. Regardless of whether the decision and/or action is right or wrong, when knowledge is stored as a system in an individual, group or organisation and can be used to guide decisions and actions at an organisational level, the

organisation is learning. Thus, organisational learning is a process of knowledge interpretation and exploitation.

Both tacit and explicit knowledge are recognised as being used in organisational learning (Nonaka, Toyama, & Konno, 2000). Tacit knowledge is knowledge that is hard to recognise from the outside, is highly personal and is difficult to formalise. In contrast, explicit knowledge is knowledge that can be seen, such as in books and published standards. It can be articulated and it can be documented.

Studies of knowledge acquisition identify two types of knowledge: experiential and objective. Experiential knowledge is gained through experience while objective knowledge can be taught (Nonaka, Byosiene, Borucki, & Konno, 1994). Experiential knowledge is tacit, while objective knowledge is explicit.

The international business literature, consistent with the resource-based view of the firm (e.g., (Wernerfelt, 1984, Wernerfelt, 1995), generally takes the view that, with respect to the internationalisation of firms, tacit knowledge is the most valuable type of knowledge (Johanson & Vahlne, 1977), as it is difficult to imitate, can add the firm's stock of knowledge (Saarenketo, Puumalainen, Kuivalainen, & Kylaheiko, 2004), reduce uncertainty (Forsgren, 2002) and help to identify business opportunities (Johanson & Vahlne, 2009). The organisational theory literature argues that both tacit and explicit knowledge are important in the learning process, as they are complementary in the knowledge creation process. Explicit knowledge can lose meaning without tacit knowledge (Nonaka, Toyama, & Konno, 2000) and tacit knowledge cannot be created without explicit knowledge. However, few international business studies have investigated both tacit and explicit knowledge in an effort to understand the internationalisation process of the firm. Among them, Anderson and Boocock (2002) found that tacit knowledge, gained from informal business interactions, is critical in the development of human resource capacity in SMEs. Investigating early entrant firms to international

markets, Pedersen and Petersen (2004) argued that shock is created when the situation in the targeted country is different to the expectation or perception before the entry. Specifically, they found that managers with lack of tacit knowledge experience shock during the acquisition of knowledge, but managers with lack of explicit knowledge do not experience such a shock.

Level of organisational learning

Two levels have been identified in the organisational learning process: first- and second-order (Fiol & Lyles, 1985). First-order learning concerns the firm's routine adjustments, in which it detects and corrects actions, following its own set of assumptions and beliefs. Second-order learning, on the other hand, refers to shifting the existing theory in use by the firm. Second-order learning involves strategic, rather than incremental, changes.

When considering the motive for learning, other studies have looked at learning from the perspective of organisational actions, recognising both explorative and exploitative learning (March, 1991, Schildt, Maula, & Keil, 2005). March (1991) maintains that explorative learning covers activities such as searching, risk taking, experimenting and innovating. Exploitative learning, on the other hand, covers activities such as refining, selecting, and executing of choices.

Continuing the use of the 'exploitative' and 'explorative' terms, Nooteboom (2000) argues that firms experience cycles of discovery. First, existing beliefs push the firm to exploit its knowledge; this is first-order learning. However, when the environment indicates that the existing body of knowledge is no longer acceptable, firms shift to explorative behaviour, which is second-order learning, to search for a better fit with the environment. Kuwada (1998) supports this argument, finding that organisational learning is a cycle, an accumulation of second-order learning in the routine organisation, which leads to first-order, higher-level learning. Looking at the unit of analysis, Boh, Slaughter and Espinosa (2007), who conducted a study with individual, group and organisational level of analysis argue that individual learning is related to

explorative learning, while group and organisational learning are related to exploitative learning. Consideration of these two levels of organisational learning is evident in organisational studies, but found only to a limited extent in the field of international business.

Modes of learning

Studies have explored the dimension of modes of learning to understand how firms learn in an operational sense (Levitt & March, 1988). Firms learn through various ways, such as experiencing (Levitt & March, 1988), grafting, searching and noticing (Huber, 1991), training, and imitating (Dodgson, 1993). In general, learning can come about through direct experience and through the experience of others (Levitt & March, 1988).

Studies on experiential learning in international business research are well documented (Anderson & Boocock, 2002, Andersson & Victor, 2003, Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Chetty & Eriksson, 2002, Chetty, Eriksson, & Lindberg, 2006, Eriksson & Chetty, 2003, Eriksson, Johanson, Majkgard, & Sharma, 2000, Eriksson, Johanson, Majkgard, & Sharma, 1997, Hadley & Wilson, 2003, Johnson, 2004, Larimo, 2003). They include the role of experiential knowledge in the perceived cost of internationalisation (Eriksson, Johanson, Majkgard, & Sharma, 1997) and the exploration of experiential knowledge from networks for entering international markets (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Hadley & Wilson, 2003).

Unlike experiential learning, learning from second-hand experience has not been directly researched in the internationalisation context. The internationalisation process model has not included learning from others (Forsgren, 2002), even though second-hand learning provided an avenue for firms to acquire knowledge without having engaged in tedious trial and error activities (Dodgson, 1993). For example, Eriksson and Chetty (2003) found that, through collaboration with others who have knowledge, firms can gain an understanding of international markets. Although studies recognise the

influence of second-hand experience in the firm's internationalisation (Andersson & Wictor, 2003, Chetty & Patterson, 2002, Coviello & Munro, 1997, Patterson & Chetty, 2003), they do not address second-hand knowledge directly. They explore the result of second-hand experience in the approach to entering international markets, rather than the process of learning itself. A limited number of studies have investigated the extent of knowledge developed by a firm's own experience and the experience of others. Similarly, a few studies have investigated the degree to which a firm's knowledge, based on the way that knowledge has been acquired, influences the firm's approach to entering international markets.

The literature recognises that firms may engage in explorative or exploitative learning (March, 1991). However, while current research focuses on the firm's own experience and a few studies explore how firms learn from others, the understanding of how firms explore individual knowledge within an organisation or how they exploit the group and organisation knowledge to achieve organisation goals is understudied.

Forsgren (2002) points out that, by including only experiential learning, the internationalisation process model can only partially explain the process of internationalisation. He goes on to argue that the learning based on own experience indicates a reactive, rather than a proactive approach, such that firms may miss opportunities to exploit their potential in a market.

Boundary of organisational learning

The boundary of organisational learning defines the scope of knowledge flow and creation in an organisation. Organisational learning theorists maintain that an organisation is a collection of subunits' learning that are linked one to the other (Levitt & March, 1988). Each subunit learns and provides or obtains inputs for/to other subunits' learning, either deliberately or unconsciously through formal and informal structures. Learning can happen at individual, group, organisational and market or industry levels (Boh, Slaughter, & Espinosa, 2007, Knight, 2002).

Organisational learning theorists argue that learning happens within a context, which covers time, space and relationships (Nonaka & Toyama, 2003). Most studies limit the boundary of organisational learning to the individual, within the organisation and its legal boundary (Lopez, Pean, & Ordaz, 2006, Wang & Ahmed, 2003). Nonaka and Toyama (2003), on the other hand, broaden the concept of the boundary of organisational learning by introducing the notion that learning happens in the context of 'ba'. Ba is a network, not necessarily physical, as a place for transfer of knowledge. It may contain individuals, groups, the focal firm, social communities, employees, etc., all of whom share the context of learning. Within this perspective, learning happens across individuals, groups, within and between organisations, and across business and social networks, such as buyer-supplier, government, universities and research institutes (Nonaka & Toyama, 2003).

In international business studies, Johanson and Vahlne (1977) emphasise that knowledge is stored in the individual within an organisational decision making system. Empirical studies have found that learning happens between firms and their connected parties within the formal boundaries of the firm as well as beyond these boundaries. For example, studies on learning in the context of international strategic joint ventures support the former (Gupta & Misra, 2000, Lane & Lubatkin, 1998, Lyles & Salk, 2007, Tsang, 2002), while studies on learning in a network support the latter. Empirical studies have provided evidence that learning from others does not involve solely arms-length relationships. Knowledge is created through various layers of physical and non physical interactions (Nonaka & Toyama, 2005). Firm may thus learn not only from business and contract based relationships, but also from non-business or non-contract based relationships. Firms have the ability to learn from buyer-supplier relationships (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Chetty & Blankenburg Holm, 2000, Hadley & Wilson, 2003) and non buyer-supplier relationships, such as interactions with education institutions (Jones & Macpherson, 2006), non government organisations or NGOs, business associations (Rutashobya & Jaensson, 2004), or social networks (Zhao & Hsu, 2007).

Organisational learning studies are based on different units of analysis, such as individual, group, organisation and inter-organisation (Schwab, 2007). Most focus on a single organisation International business studies for their part are starting to include the relationship view in the internationalisation process (Coviello & McAuley, 1999, Johanson & Vahlne, 2009). Inter-organisational learning is of growing interest. However, Blomstermo and Sharma (2003) admit that studies about inter-organisational learning in international business are limited. How an organisation learns, with respect to accumulation as well as the structure for effectively managing individual learning, is still largely an unknown quantity.

Paths of knowledge creation

Organisational learning theorists claim that knowledge is created through a series of activities, within and between organisations (Nonaka & Konno, 1998). There is interaction among and between various levels of organisational members and activities, and also with the environment to which the organisation belongs (Nonaka & Toyama, 2003).

Two organisational learning frameworks are recognised: the 4I model (Crossan, Lane, & White, 1999) and the SECI model (Nonaka, Toyama, & Konno, 2000). The 4I model, developed by Crossan, Lane and White (1999), holds that organisational learning consists of four activities: intuiting, interpreting, integrating and institutionalising. This learning process happens at the individual, group and organisational levels and links within the system of an organisation. Intuiting and interpreting happen at an individual level, integrating happens at a group level and institutionalising occurs at the organisational level. This model is tested and supported by Crossan and Berdrow (2003) in the context of the service sector.

The SECI model, developed by Nonaka, Toyama and Konno (2000), advances the 4I model by addressing the types of knowledge involved in organisational learning – tacit and explicit – including complex sets of levels of learning in

an organisation. They visualise knowledge creation in a spiral form. In this model, there are four processes of organisational learning and four levels of learning involved. The four processes are: socialisation, externalisation, combination and internalisation. The four levels of learning are the individual, group, organisation, and inter-organisational levels.

Socialisation transfers tacit knowledge from one source to another and maintains the tacitness. It happens as members of an organisation interact with the social environment, whether within the organisation or between organisations. When tacit knowledge is articulated, it becomes explicit knowledge through externalisation activities, such as writing and presenting. The individual and group levels of learning are involved in the socialisation and externalisation activities. Externalisation knowledge is developed further and combined with other explicit knowledge, through, for example, the sharing mechanism. Internalisation develops the spiral of knowledge further. It transforms the explicit knowledge into new tacit knowledge. The organisational and inter-organisational levels of learning are involved in the combination and internalisation processes. The SECI model has been investigated in the international business context (Nonaka, Byosiene, Borucki, & Konno, 1994), with evidence of support for the model and its measurements.

Both the 4I and SECI models are very useful for understanding the process of organisational learning. However, neither of these models, which end in institutionalisation and internalisation, respectively, specifically addresses the relationship between knowledge and action. If an organisation holds a certain level of knowledge, neither the 4I nor the SECI model is able to predict the related action taken by the organisation.

Fiol and Lyles (1985) maintain that organisational learning results in incremental adaptation, in which an organisation can show its ability to adapt to the environment. If knowledge is not used, it remains potential knowledge for adaptation (Man, Dimovski, & Skerlavaj, 2007). This study adopts the

premise that learning encompasses both processes and outcomes (Dodgson, 1993).

In order to progress the understanding of learning in the context of internationalisation, this study investigates aspects of both process and decisions related to learning. The stream of research within organisational learning studies that covers both learning as a process of knowledge acquisition and the application of that knowledge is that of absorptive capacity (Easterby-Smith, Graca, Antonacopoulou, & Ferdinand, 2008, Nooteboom, 2000). Johanson and Vahlne (2009, p.7) use the absorptive capacity concept to support their argument on the learning cycle process of internationalisation. Although Johanson and Vahlne (2009) do not explore absorptive capacity in detail, their study indicates that reviewing the absorptive capacity literature may add to the understanding of learning about entering international markets. The absorptive capacity literature is reviewed in the next section.

2.2.3 Research gaps

The literature review carried out and reported on above has revealed three gaps in the research regarding organisational learning in a context of learning to enter international markets. First, the studies mostly involved one type of learning: experiential learning. Learning from second-hand experience was explored only in a limited manner. Second, the organisational factors that explain how individual learning is transferred into the organisational level of learning and vice versa, have only rarely been tested. For example, the type of structure that can effectively manage learning about entering international markets and the culture of an organisation that can support learning have not been empirically investigated. Third, two organisational learning models, the 4I and SECI models, were employed to investigate the knowledge creation process within an organisation. However, how the knowledge was created and the actions related to this knowledge were not discussed. Within the organisational learning field, absorptive capacity covers both knowledge acquisition and the use of knowledge, both of which are relevant to this study.

2.3 KEY LITERATURES

This subsection reviews the absorptive capacity literature, followed by the key literature pertaining to institutional theory in order as mentioned before, to understand learning as knowledge acquisition and application. The internationalisation process and the organisational learning literatures are anchored in the behavioural school (Dosi & Marengo, 2007, Steen & Liesch, 2007). Institutional theory fits within this school, and views the behaviour of a firm as resulting from the business environment in which the firm operates.

2.3.1 Absorptive capacity

Cohen and Levinthal (1990) were the first to use and define the term absorptive capacity, as ‘...the firm’s ability to recognise the value of new, external information, assimilate and apply it to reach the organisation’s goals...’ (p.129). Their study specifically investigates how absorptive capacity develops within a firm. They argue that, although knowledge is stored at the individual level, the firm’s knowledge is not simply an accumulation of individual knowledge. At the firm level, the organisational structures determine how communication is arranged and, therefore, how knowledge is shared and developed. Industry rivalry also affects the development of knowledge. Knowledge spill over from other firms or industries can feed the firm’s absorptive capacity.

Cohen and Levinthal (1990) recognise that learning is path dependent. Thus, they implicitly recognise that knowledge is cumulative, which is parallel to the internationalisation process model. However, they do not explicitly explore how the cumulative process happens. Lane, Koka and Pathak (2006) claim that Cohen and Levinthal adopt a static approach, because they measure learning from the results, e.g. the firm’s patents, and not the process of how this intellectual property right is obtained.

Several studies attempt to better explain the role of absorptive capacity, by modifying the definition (Zahra & George, 2002), empirically testing the model (Jansen, Van Den Bosch, & Volberda, 2005), and exploring the role of

absorptive capacity in the process as well as the structure of organisational learning (Lyles & Dhanaraj, 2004).

Zahra and George (2002) modify the definition of the original model and describe absorptive capacity as “...a dynamic capability that influences the firm's ability to create and deploy the knowledge necessary to build other organisational capabilities (e.g., marketing, distribution, and production)....” (p.188). They divide absorptive capacity into two types: potential and realised capacity. Potential capacity refers to the ability to acquire and assimilate knowledge, while realised capacity reflects knowledge that has been absorbed. Realised capacity demonstrates the firm's ability to transform and exploit knowledge. Zahra and George's study adopts a process perspective (Lane, Koka, & Pathak, 2006), in which a firm's potential and realised knowledge contribute to better explain its learning action behaviour.

Jansen, Van Den Bosch and Volberda (2005) operationalised Zahra and George's propositions and tested the antecedents of two types of absorptive capacity: potential and realised. Focusing on the strategic business unit level, they found that firms acquire and exploit external knowledge differently, depending on the organisational mechanism. At the organisational level, frequent interaction with corporate headquarters and visits to other branches help firms to acquire external knowledge. The authors also note that visiting third party meetings or accessing industry information contribute to developing potential knowledge. Moreover, formalisation and codification of tacit knowledge enhance the ability of the business unit to realise its absorptive capacity. Importantly, the realised capacity can be enhanced when the organisational mechanism associated with socialisation capabilities, e.g. the establishment of interpersonal relationships is strengthened.

Lyles and Dhanaraj (2004) develop a model to describe a structure of organisational learning, which has four components: the processes, absorptive capacity as a component to set the cognitive context, social capital and organisational factors. The process component includes six elements:

identifying the need for learning, documenting, experimenting, reflecting, unlearning and communicating. Absorptive capacity includes knowledge stored as well as the process of learning as Lyles and Dhanaraj (2004) maintain that absorptive capacity sets the cognitive context of organisational learning and guides these six processes and the deployment of capabilities and the organisational factors. Moreover, they maintain that absorptive capacity works by considering social capital, which may foster or delay the learning process. However, like the other organisational learning models, e.g. 4I and SECI, this framework does not include the strategic consequences or any action taken by firms that have learned. Specifically, the action taken by a firm with a certain level of knowledge or in certain circumstances is not explicitly presented.

The process of developing absorptive capacity is, however, the subject of some debate. For example, Zahra and George (2002) view absorptive capacity as a set of sequential steps through potential and realised capacity, with assimilation followed by transformation. Todorova and Durisin (2007), however, claim that transformation may happen in parallel to assimilation. Studies on absorptive capacity from developing countries for their part focus mostly on the process of acquiring knowledge, mainly through foreign direct investment, highlight the transfer of knowledge, then move to the strategic exploitation of the knowledge acquired (e.g., (Brunner & Cali, 2006, Lee & Tan, 2006, Thee Kian, 2005).

Cohen and Levinthal (1990) stress the contribution of external knowledge to the development of absorptive capacity. Empirical studies found support for the contribution of external knowledge by exploring the business unit (Jansen, Van Den Bosch, & Volberda, 2005), dyadic (Lane & Lubatkin, 1998) and buyer-supplier relationships (Meeus, Oerlemans, & Hage, 2001), and social knowledge in an international joint venture (Lyles & Dhanaraj, 2004). At the business level, Todorova and Durisin (2007, p.782) argue that absorptive capacity is mediated by the power relationships between a firm and its customers and its other stakeholders. The power relationship determines the

resources allocated, which, in turn, may determine knowledge development. The firm, the relationship with its dyadic partners, and the relationship with other stakeholders in a network may determine how knowledge is developed and exploited. Implicitly, the role of absorptive capacity should be considered relative to other firms in the market. There are few studies, however, that investigate the relationship between a firm's internal characteristics and external relationships and the development of its absorptive capacity.

Studies on absorptive capacity have mainly been conducted in the context of developed countries, for example the Netherlands (Van den Bosch, Volberda, & De Boer, 1999), the U.S., and Finland (Minbaeva, Pedersen, Bjarkman, Fey, & Park, 2003). Firms from developing countries may learn differently, because their organisational mechanisms may differ. Zahra (2005) maintains that little is known about the learning process of new venture firms with limited experience in international markets, and questions how firms with limited experience develop their capacity (p. 25). Meyer (2007, p.35) suggests exploring organisational learning by considering country variation, because organisational learning is context specific, and context varies across countries. As Rialp, Rialp and Knight (2005, p.162) said "...too little research has been devoted to the nature of managerial decision-making and the relationship between organisational behaviour and entry strategies in early internationalising firms...". Research that involves different contexts can help advance organisational learning theory. More specifically research, such as that conducted here, on how firms from a developing country learn about how to enter international markets will extend and broaden the absorptive capacity theory and literature.

In terms of research method, studies on absorptive capacity are mostly of firms from technology oriented industries and use technology related measures of absorptive capacity, such as patents (Cohen & Levinthal, 1990), R&D spending (Zahra & Hayton, 2008) and nanotechnology (Pandza & Holt, 2007). Interestingly, in the field of international business, the context of the study defines the measure of absorptive capacity. For example, when identifying the

factors that develop the capability of multinational enterprises (MNEs) to expand internationally, Barkema and Nadolska (2003) define absorptive capacity as ability to replicate the previous international entry. Focusing on how absorptive capacity affects knowledge development for internationalisation decisions, Eriksson and Chetty (2003) operationalise absorptive capacity by measuring the previous experience of the firm either in dyadic or network relationships.

While studies acknowledge the importance of absorptive capacity (Cohen & Levinthal, 1990, Eriksson & Chetty, 2003, Lai, Peng, & Bao, 2006, Lane, Salk, & Lyles, 2001, Lane & Lubatkin, 1998, Lyles & Dhanaraj, 2004, Pandza & Holt, 2007) and accept the process perspective of absorptive capacity (e.g., (Jansen, Van Den Bosch, & Volberda, 2005, Lyles & Dhanaraj, 2004, Zahra & George, 2002), there is lack of research specific to firms from developing countries that explores and measures the role of absorptive capacity in this context. A theoretical framework that may complement that of the organisational learning and internationalisation literatures in explaining the behaviour of firms, while considering the environment, is institutional theory.

2.3.2 Institutional theory

The basic premise of institutional theory is that firms need legitimacy to exist (Zucker, 1987). Firms receive normative pressure from the various social groups in which they are embedded, such as national, regional and local governments or authorities and professional associations (Scott & Meyer, 1991). Such groups define standard operating procedures and social requirements, which the firm must maintain and meet, in order to function in the environment (Zucker, 1987). These social groups consist of various organisations that are functionally interrelated and, often, geographically remote (Scott & Meyer, 1991). Consequently, a by-product of complying with institutional requirements may be that the firm gains legitimacy for operating in international markets. Institutional or social requirements can be enforced by laws or incentivised by social rewards.

The overlap between organisational learning and institutional theory is addressed in the literature. Levitt and March (1988), for example, maintain that three characteristics underpin organisational learning. First, action is driven by legitimacy. Firms aim to fit the situation to the environment. Second, organisations are path dependent, in that action is guided by previous processes and outcomes. Third, an organisation moves toward its goals. Firms continuously compare the difference between their aspirations and achievements, and institutional theory argues that, over time, firms tend to become isomorphic (DiMaggio & Powell, 1983) or similar to others as they adapt to the common environment. However, although the organisational learning and international business theorists claim that knowledge underlies the internationalisation decision, few studies have explored how the level of knowledge relates to the action of the focal firm and other firms around it.

Institutional theory considers three types of environmental forces (DiMaggio & Powell, 1983). Firms may follow others because of coercive pressures (coercive isomorphism), in order to deal with uncertainty (mimetic isomorphism) or to respond to normative pressures (normative isomorphism). Coercive isomorphism happens when firms are required to follow certain rules in order to avoid ceasing operations. This can be formal or informal pressure, from sources including government policies (DiMaggio & Powell, 1983) and professional group standards (Oliver, 1991). Mimetic isomorphism happens when firms model themselves upon other firms they perceive as being successful (DiMaggio & Powell, 1983). Normative isomorphism occurs, for example, because industrial practices change and adopted norms are adjusted.

Studies have investigated institutional forces and firms' actions with regard to the relationships between market structure and isomorphic behaviour (Haveman, 1993), the firms' strategy and isomorphism (Massini, Lewin, & Greve, 2005) and level of isomorphism (Lu, 2002). Haveman (1993) found no evidence of a linear relationship between market structure and isomorphic behaviour. The density of the players in the market limits the adoption of imitative strategies. Mimetic behaviours may be suitable to some situations

and not to others. By grouping firms into innovators and imitators, Massini, Lewin, and Greve (2005) found that innovators distance themselves from the reference firm in order to differentiate themselves within the market. Imitators mimic others to be less distinct within the market. Lu (2002) argued that mimetic behaviour happens at two levels: intra and inter organisation. Experience has an impact on a firm's imitative behaviour. Intra-organisationally, experience increases the probability of a firm's mimicking its own or its subunit's previous actions, while experience reduces the tendency of firms to mimic the actions of others outside of the firm's boundary. These empirical findings indicate that firms' actions are context specific. The market structure, organisational strategy and experience of firms shape the decision making process.

Institutional theory stresses the importance of understanding the environment for understanding how and why international strategic choices are taken. Previous studies have investigated how the changing of the policy, regulatory and social environments affect the firm's decision making process about foreign direct investment (Trevino, Thomas, & Cullen, 2008, Yiu, Lau, & Bruton, 2007), time of international entry and entry mode (Yiu, Lau, & Bruton, 2007). Studies have explored the firm's home country situation, such as Taiwan (Cheng & Yu, 2008), China and Romania (Brouthers, O'Donnell, & Hadjimarcou, 2005), Japan (Lu, 2002), Korea (Rhee, 2008) and Western Europe (Massini, Lewin, & Greve, 2005) and/or host country, for example, South East Asian countries and China (Cheng & Yu, 2008). These studies have mostly involved firms that operate in outward looking environments. While it is argued that there is a linkage between inward and outward looking international policy (Coviello & McAuley, 1999, Karlsen, Silseth, Benito, & Welch, 2003, Korhonen, Luostarinen, & Welch, 1996) and that institutional pressure relates to the entry mode decision (Huang & Sternquist, 2007), few studies have explicitly investigated the learning process of the firm with experience of both inward and outward looking policies in the decision to enter international markets and face institutional pressures. Indonesia would be a good case for such a study, as the country has adopted both inward and

outward looking policies (Siregar & Gunawan, 2007) and its business institutions are in a developing stage.

The next section presents a review of internationalisation of firms from emerging economies, and the history and challenges of Indonesian firms in international business.

2.4 THE INTERNATIONALISATION OF FIRMS FROM EMERGING ECONOMIES

This section consists of two parts. First, it reviews studies about internationalisation by firms from developing economies, in the context of the previous discussion of the literature related to internationalisation, organisational learning and institutional theory. Second, as this study is conducted in Indonesia, it reviews the history of Indonesia's business environment and challenges associated with international expansion.

2.4.1 Challenges of the literature

A limited number of studies investigate how firms from developing countries learn about international markets and then use that knowledge to enter those markets. Organisational learning is very context dependent (Meyer, 2007), and the literature recognises a subjective dimension in the knowledge creation process (Nonaka & Peltokorpi, 2006). The way a firm absorbs knowledge very much depends on the cognitive interpretation of that knowledge (Cohen & Levinthal, 1990). For example, Wilkinson (1996) found that the behaviour of East Asian firms is framed by the social and political system in which they operate. The social system relates to the firm's ability to absorb and use knowledge. Social structure determines how information flows and is managed. The political system, on the other hand, guides the exploitation of the knowledge, because it defines the legitimacy of the firm's actions.

Firms seeking to internationalise from emerging economy bases face a number of specific challenges. Five are discussed here. First, the internationalisation

process model and empirical studies in this area stress experiential knowledge as a way to obtain knowledge about international markets and guide the internationalisation decision (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Chetty & Eriksson, 2002, Eriksson & Chetty, 2003, Eriksson, Johanson, Majkgard, & Sharma, 1997, Johanson & Vahlne, 1977, Wang, Huang, & Bansal, 2005). However, firms from emerging economies tend to have limited experience, and may lack access to the experience of others. Hence, the knowledge development process may differ from that explained in existing studies that are based on developed economies, and learning from both the firm's own experience and the experience of others merits further research.

Second, in the field of organisational learning, studies recognise that knowledge creation happens across individual, group, organisational and inter-organisational levels of learning, and that these levels are interconnected (Crossan, Lane, & White, 1999, Nonaka, Toyama, & Konno, 2000). In the field of international business, the transfer of knowledge may happen within an organisation, between business units in an organisation and with external organisations, such as with partners in buyer-supplier relationships (Chetty & Blankenburg Holm, 2000, Nassimbeni & Sartor, 2005, Pla-Barber & Escribá-Esteve, 2006) and non buyer-supplier relationships. The latter may include university linkages (Johnson, 2004, Larimo, 2003, McAuley, 1999), government assisted export networks (Patterson & Chetty, 2003), and former employees of the firm (Chetty & Blankenburg Holm, 2000). However, little is known about how buyer-supplier and non buyer-supplier relationships contribute to the firms' knowledge development and decision making process about entering international markets. In addition, a limited amount is understood about the organisational factors that facilitate knowledge transfer within and between organisations.

Third, emerging economies' firms may learn from a variety of sources, in order to help to speed up their internationalisation (Weerawardena, Mort, Liesch, & Knight, 2007). Zhu, Hitt and Tihanyi (2006) argue that firms with limited resources may learn from governments and business groups to improve

their international capabilities. Tremendous changes in trade barriers, such as the advances of communication technology, transport and production processes (Axinn & Matthyssens, 2002), and the tremendous growth of internet usage in East Asia and Pacific countries (The World Bank, 2008), may provide avenues of learning for developing country firms that may differ to what is emphasised in the current literature.

Fourth, Rhee (2008) argues that new venture firms face challenges with respect to deciding on their choice of international entry mode. Institutional theory is widely employed to explain the internationalisation of firms from emerging economies (Wright, Filatotchev, Hoskisson, & Peng, 2005), and better explain late adopters' behaviours (Massini, Lewin, & Greve, 2005). Institutional theory may help to understand how the environment shapes the knowledge development process and how the environment shapes the use of knowledge in the internationalisation decision making. Specifically, it can help to understand the extent to which a firm's own experience and the experience of others influence internationalisation decisions. The combination of institutional and organisational learning literatures within the internationalisation context may add to the understanding of the literature in this area.

Fifth, Indonesia is used as an example of a late comer to international markets, and its institutions are also in the developing stage (Aswicahyono & Feridharnusetyawan, 2004). Several institutional changes have taken place in the country's recent history. Using Indonesia, with its complex combination of social, economic and political changes, as an example may help in constructing a more general model of developing country firms' learning about international markets. In terms of learning, organisational learning theory argues that firms use references to guide their actions. However, firms that lack experience may have no reference for their international behaviour, because the environment is beyond their understanding and/or they have no previous experience on which to base their reasoning. Thus, the role of absorptive capacity may differ in the developed and the developing countries.

For example, a previous study indicated that many firms entered countries in Eastern Europe when the communist regimes collapsed, to gain legitimacy (Meyer & Skak, 2002). These firms mimicked the first mover European firms. At an industry level, Guillen (2003) found that firms in South Korea followed a leading company that expanded its market to China when China was opening its market. Thus, firms consider both domestic and foreign environments when entering international markets. By focusing on a specific country, this study can add to our understanding of the internationalisation process of firms, as it isolates and identifies specific country characteristics related to the firm's learning behaviour.

In order to understand how Indonesian firms learn to enter international markets, the following section describes the country and outlines the history of Indonesia with respect to international business, which covers its social, economic and political development.

2.4.2 History and challenges of Indonesian firms' internationalisation

Indonesia was, in 2008, the fourth most populated country in the world, after China, India and the United States. It is located in South East Asia, and shares borders with Malaysia, Papua New Guinea and Timor Leste. In 2007, the population was 225 million (Biro Pusat Statistik, 2007), located in 33 provinces. The country consists of more than 13 000 islands, which makes Indonesia as the largest archipelago in the world. Half of these islands are inhabited. Most of the people (about 60%) live on the island of Java, where the bulk of the country's industry is located.

There are about 400 ethnic groups living in Indonesia; 90% of them are Moslem, making Indonesia the biggest Moslem country in the world; 5% are Christian, and the rest of the population Hindu and Buddhist. Although Moslems dominate the population, the country is not regulated by Islamic laws. Indonesia is a republic, and the president manages the country. Indonesia gained independence in 1945, after 350 years of foreign occupation. The next

section describes the development of Indonesia's social, economic and political environment and its international business activities.

The pre-independence period

Indonesia is rich in natural resources, both minerals and non minerals. The main trade commodities before the independence period were spices. International trade in Indonesia has taken place since the 7th century, when the country was a kingdom and trading was established with China and India. Cities along the coast were developed, and Hinduism and Buddhism were the main beliefs of the people (Rachmat, 2005). Majapahit Kingdom was the greatest kingdom in the Indonesian history, covering Indonesia, Malaysia, Singapore and some of the Philippine islands (Sutrisno, 2008).

In 1510, Portugal invaded Majapahit and successfully took over the Malaka cape, which covered Malaysia, and Maluku in East Indonesia, the source of spices. In addition to Portuguese traders, Moslem traders developed business relationships in Sumatera. From that time Sumatera, Java and other Indonesian areas gradually adopted Islam.

At the end of the 16th century, the Dutch replaced the Portuguese occupation in the East of Indonesia. The Dutch established VOC (Vereenigde oost Indische Compagnie - the Dutch East India Company) and claimed four rights: to monopolise the trade, to have its own army and legal system, to introduce its own currency and the right to govern and establish agreements with local kingdoms. VOC grew rapidly and successfully took over Malacca in 1641. All of the freight forwarding companies in the area belonged to VOC. The Dutch, through the VOC, occupied Indonesia until 1942.

During the period of European colonialism, Catholicism and Christianity were introduced mainly in the eastern parts of Indonesia, such as Maluku, while the Moslem faith flourished in the west. By the end of the 16th century, Sumatera and Java were dominated by Moslem beliefs with an admixture of traditional beliefs.

From 1942 to 1945 Indonesia was ruled by Japan (Sutrisno, 2008). In 1945, the independence of Indonesia was declared by Sukarno, its first president. The Dutch tried to re-establish their colonial rule but failed and, in 1949, the Dutch formally accepted Indonesia's independence.

Although Indonesia had international business linkages with other countries, these transactions were mainly conducted and organised by foreigners. The forestry industry was dominated by the Dutch state owned enterprises (SOEs), while the trade, mainly for export, was monopolised by five Dutch companies (Soesastro, 2004). In the pre-independence period, no Indonesian firms appear to have conducted international business.

The independence period

Since its independence in 1945, Indonesian international trade and investment policies have changed over time. This thesis categorises three stages of social, political and economic changes which may have influenced the development of international business in Indonesia: the setting time (1945 to 1965s), the new era (1965s to 1998) and the reformation (1998s to now).

The setting time: 1945-1965s

From 1945-1965, Indonesia was managed by Sukarno, the president. Due to his experience during the colonialism period, Sukarno believed that the international community was dangerous, and threatened the internal stability and integration of Indonesia. His failure to establish an agreement with the Dutch regarding Indonesia's national development strengthened his aversion to building international relationships. Sukarno focused on protection against foreign invasion (Cipto, 2007).

The domestic situation was one of change and development. During the Sukarno period, Indonesia adopted several systems of government. In 1945-1950, Indonesia adopted the democratic system, then moved to state control and then went back to the democratic system. Several coups happened in various areas in Indonesia before and after the changes in the system of

government. The 1948 coup in East Java was carried out by the communist party PKI. In the 1950s, PERMESTA carried out a coup aimed at separating the Celebes from Indonesia. Similar actions were taken by other local parties in Sumatera by the PRRI, and by an Islamic party Darul Islam in West Java. In order to control the country, Sukarno moved to assert control, and declared himself lifelong president. This declaration divided Indonesia, due to competing aims as to the country's development. It widened the gap amongst the political parties in Indonesia: Moslem, nationalist, army and communist parties.

The South East Asian region was also undergoing great change. As a consequence of the cold war period, in 1955, the U.S. initiated the establishment of SEATO (the South East Asia Treaty Organization). The objective of this organisation was to protect against communism, meaning the USSR's infiltrating into South East Asia. Malaysia, Singapore, Thailand and Philippines welcomed the initiative and established international relationships with western countries. Malaysia and Singapore set up security agreements with the U.K., Australia and New Zealand. Thailand and the Philippines supported the United States' actions against communism in Vietnam. Indonesia, on the other hand, did not join SEATO. Sukarno declared the country a non block country. In fact, however Sukarno was very much influenced by communism, setting up, in 1955, a close relationship with both Russia and China, through the Jakarta-Peking close relationship agreement. To indicate his commitment as a non block country, in the same year, Indonesia organised the Asia-Africa conference, to protect against imperialism in the region (Cipto, 2007). Sukarno's approach created a duality in Indonesian foreign policy.

In 1961, the Association of South East Asia, the embryonic version of ASEAN, was established by Malaysia, the Philippines and Thailand. The objective of this organisation was similar to that of SEATO, to protect against communism. This organisation did not last long, because the Philippines and Malaysia came into conflict regarding the status of Sabah (a Malaysian state)

and, at the same time, Sukarno launched his confrontation policy, moving to threaten Malaysia. Sukarno wanted to invade Malaysia because he believed that Malaysia was threatened by British imperialism. His policy created tension between Malaysia-Singapore and Indonesia (Cipto, 2007).

During the Sukarno period, Indonesian international business was not developed. Indonesia was isolated from the world because of its international policies and unstable domestic environment. CIA and Dutch support of activities to separate Papua from Indonesia angered Sukarno and confirmed to him that his foreign policy was correct (Cipto, 2007). Sukarno emphasised nationalism, which favoured state owned enterprises and made them the most powerful actors in the Indonesian economy. There were no foreign owned firms in Indonesia at that time (Narjoko & Hill, 2007).

In 1965, another coup was launched by PKI, the communist party, and the target was the army generals. The army, under Soeharto, successfully rescued Indonesia from PKI, and forced Sukarno to resign from the presidency. Soeharto became the second president of Indonesia (Cipto, 2007).

The new era: 1966-1998

Soeharto's approach was completely different to that of Sukarno. Soeharto believed that domestic stability was crucial, and economic development was a priority. To Soeharto, domestic security and stability was more important than protection against foreign invasion. He reoriented Indonesian economic policy, and from his coming to power, Indonesia opened up to foreign relationships. Soeharto terminated Sukarno's confrontation policy, thus ending the tension between Indonesia and Malaysia. His army background and the experience of domestic conflicts lead Soeharto to a military way of governing. Soeharto viewed communism and the Islamic parties as two groups threatening domestic stability. Communism and any activities related to that party were banned. Diplomatic relationships with China, considered as a source of communism, were terminated in 1966 (Cipto, 2007).

The period of 1966-1970 is seen as the stabilisation period (Feridhanusetyawan, Aswicahyono, & Anas, 2000). In 1966, the Intergovernmental Groups on Indonesia (IGGI), a consortium of donor countries and international financial institutes, was established. This consortium facilitated various international agreements that fostered Indonesia's economic development (Cipto, 2007, Feridhanusetyawan, Aswicahyono, & Anas, 2000). Foreign exchange and trade policies were liberalised in 1967 (Feridhanusetyawan, Aswicahyono, & Anas, 2000). Regionally, in 1967, Indonesia also became one of the ASEAN founders, with Malaysia, Singapore, the Philippines and Thailand (Cipto, 2007). Indonesia imports developed during this period, while the domestic components manufacturers were unable to serve the needs of finished product manufacturers. Therefore, during this time, the import licensing system was introduced, followed by the 'export bonus' system. Such an import substitution policy aims to protect infant industries from imported products, and to help them build their position in the domestic market, thus strengthening their ability to enter foreign markets. However, in reality, the subsidy on capital and imported raw materials overly protected the Indonesian domestic industries and limited their ability to shift into more competitive markets (Rachbini, 2004). Alongside the international trade and investment policy reforms, reforms of financial institutions were also introduced, until about 1972. The government was also involved directly in the economic system through SOEs and state banks (Feridhanusetyawan, Aswicahyono, & Anas, 2000).

In addition to the above policies, Indonesia attracted foreign direct investment, mainly in labour intensive industries. The open door policy of Soeharto received a positive response from foreign investors, mainly Japan, in the automotive and consumer electronics industries. However, internally, resentment toward foreigners was stirred up by nationalists, upset that the government favoured foreign investors and did not provide equal service to domestic investors. Anti-Japanese riots, the Malari affair, happened in 1974,

resulting in the government moving to regulate foreign investment (Feridhanusetyawan, AswicaHyono, & Anas, 2000).

Starting from the 1980s, the government promoted an export oriented policy, to respond to slower growth in the Indonesian economy due to declining oil prices (AswicaHyono & Feridharnusetyawan, 2004, Soesastro & Basri, 2005). No less than 24 measures were introduced to increase the efficiency of non-oil sectors and improve export oriented industries (Soesastro & Basri, 2005). For example, the agreement establishing the Singapore - Batam (Indonesia) - Johor (Malaysia) free trade zone areas was entered into, in order to support Indonesia's export oriented industries that used imported materials. This period is considered a time of shifting from import substitution to an export orientation. Diplomatic relations between Indonesia and China were repaired in 1990, with both countries agreeing not to interfere in each other's internal politics (Cipto, 2007). The Indonesian approach was followed by Singapore, which subsequently opened diplomatic relations with China. Such initiatives made South East Asian business grow rapidly. As a result of the export oriented policy it had followed since 1987, Indonesian exports shifted to manufactured goods, from petroleum and gas which had dominated. (Biro Pusat Statistik, 2007, p.285).

These trade and investment policy reforms happened yearly between 1986 and 1997. The main elements of these reforms were a range of tariff reductions, changes in trading arrangements for certain commodities (the removal of non-tariff barriers), improvement in trade facilitation measures such as duty draw back schemes and procedures on bonded zones, and shortening of the lists of activities closed to domestic and/or foreign investment (AswicaHyono & Feridharnusetyawan, 2004, p.14). Although they were introduced to create a better international and domestic business environment, such frequent changes also created 'deregulation fatigue' (AswicaHyono & Feridharnusetyawan, 2004). The effectiveness of the changes was questionable and the domestic political situation was tense. Trust in the government was lessened by lack of transparency and the apparently ad hoc nature of some of the policies

introduced, such as the government's preservation of some inefficient industries (Soesastro & Basri, 2005).

Soeharto's authoritarian style in governing was made clear in his actions to overrule the legislature. After the first election in 1971, when Golkar, the workers' party, won more than 62% of the votes, Soeharto decided to support Golkar. In 1973, he reduced the number of political parties eligible to compete in the next election from 10 parties to only three: Golkar, the Islamic PPP party and the democratic PDI party (Cipto, 2007, Djafar, 2006). These two parties, PPP and PDI, represented pseudo opposition, as they held less than 10% of the seats in the high chamber (Perdana & Friawan, 2007). In addition, it was compulsory for public service workers to join Golkar. Moreover, in order to ensure domestic stability, Soeharto introduced two roles for the army: responsibility for the country's security and political stability. One third of the legislature came from the army and were not elected, but appointed by Soeharto. Three fifths of the MPR, the upper chamber of the government, were also from the army, and were appointed by Soeharto. This policy was criticised by national and international communities. Soeharto's policy removed the power of legislative bodies to monitor and control the execution of policy. With his military approach, Soeharto left limited room for democracy (Cipto, 2007, Djafar, 2006).

Although Soeharto's policy was initially supported by the army, from 1992, some army leaders stated that army should maintain its neutral role not intervene in bureaucracy and politics. Soeharto was warned specifically, having pushed the oil and gas SOE, Pertamina, to back his political moves. However, Soeharto continued to build his own businesses, and favour partnerships with Indonesian Chinese conglomerates. By the late 1990s, Soeharto, his family and cronies effectively monopolised the bulk of Indonesia's lucrative businesses, including airlines, television, shipping, forestry, oil, cement, automotive and chemical (Djafar, 2006, p. 68). The army started to distance itself from Golkar, while anti-Soeharto protests grew.

Soeharto recognised that his position was increasingly insecure, and moved to include the modern Islamic organisation, ICMI, in his circle, to counterbalance the reduction of the army's role. When the Asian financial crisis started to hit Indonesia, Soeharto seemed to have difficulty in coming to terms with the issue (Djafar, 2006). He was 're-elected' for the seventh time in March 1998. Dr. Habibie, from ICMI, a technocrat who had previously headed the ministry of research and technology, was chosen as vice president.

International donors and lenders were concerned about Indonesia's declining economy, but Soeharto was not indicating any inclination to address the problem. For example, he refused to work on an IMF (International Monetary Fund) scheme to reform the economy; the scheme included the liquidation of 16 unhealthy banks, two of which belonged to a Soeharto crony (Gaduh & Atje, 2004). He also refused to re-evaluate ambitious industrial development programs in the aircraft and ship building industries. These decisions damaged international confidence in Indonesia. The Rupiah devalued sharply (Djafar, 2006), and finally a riot broke out in May 1998. Its victims were members of Indonesia's Chinese community. On May 21, 1998, Soeharto was pushed to resign and was replaced by Habibie, the vice president. Most of Indonesia's business, including the large conglomerates, collapsed.

Although exports grew during the Soeharto period, most of Indonesia's exports are either naturally based, such as furniture, or labour intensive, such as textiles and electronics. The components of labour intensive manufacturing exports are largely imported. The Asian financial crisis of 1998 severely reduced imports and exports for Indonesian manufacturers (Aswicahyono & Feridhanusetyawan, 2004), and export growth was -13.7% in 1998 (Feridhanusetyawan, Aswicahyono, & Anas, 2000).

The reformation: 1998 - now

Habibie inherited serious problems, including high unemployment, the economic crisis, domestic conflicts and the loss of international credibility. In addition, Habibie was a political newcomer, with limited national leadership experience (Djafar, 2006). He was appointed to be the transition president, and

prepare for a more democratic election in 1999. Habibie progressed Indonesia toward a more democratic system, allowing freedom to the press, permitting multiple parties to join the election and reducing the number of free seats for the army in the upper chamber. However, his presidential reports was unacceptable by the high chamber, and so, too, his chance to be the next elected president of Indonesia (Perdana & Friawan, 2007).

The 1999 election was considered to be the first, open and multi-part election since 1955. Partai Demokrasi Indonesia, the democratic party which had changed its name to PDIP (Partai Demokrasi Indonesia Perjuangan – the democratic and strive party), led the election with 31% of the votes. The lack of a majority in the legislature meant that the PDIP's leader, Megawati, did not automatically become president. After much debate, Abdurahman Wahid, a moderate Islamic leader, was elected as the fourth president of Indonesia, with Megawati as his vice president. Though Abdurahman Wahid's party had received few votes during election, he won the presidential seat because of his social role; this situation put him in the position of having to accommodate other political interests. He reshuffled the cabinet several times, and his relationship with Megawati deteriorated. In 2001, the upper chamber dismissed Abdurahman Wahid because of corruption allegations (Perdana & Friawan, 2007). Megawati replaced Abdurahman Wahid to become the fifth president (Gaduh & Atje, 2004) and the first female Indonesian president. She led the country until 2004.

In 2001, Indonesia also moved to decentralise its government, with central government handing over most of its roles to the districts. While the implementation required comprehensive changes to institutions, financial systems, human resources and other infrastructure, these activities were not conducted in series, but in parallel between strategic policy and implementation. As a consequence, the domestic business environment was unstable because of the lack of an institutional framework. The investment arena was particularly challenging (Feridhanusetyawan, Aswicahyono, & Anas, 2000). Lack of foreign investment protection resulted in foreign

investors leaving Indonesia or taking their cases to international courts (Gaduh & Atje, 2004). Inward foreign direct investment fell drastically until 2004, while outward direct investment increased rapidly (Siregar & Gunawan, 2007). Indonesia was ranked 15th among developing countries in outward direct investment in 2005.

Domestic security also became an issue. Bombs were exploded in Bali in 2002 and Jakarta in 2003, marking Indonesia as a terrorist target. Megawati focused on domestic security. In 2003, Indonesia hosted an ASEAN meeting and Megawati invited other ASEAN countries to launch the ASEAN security community (Cipto, 2007).

After the crisis and the various institutional changes, domestic firms with limited networks were strongly disadvantaged, due to having relatively limited alternatives in matters of supply and demand (Feridhanusetyawan, Aswicahyono and Anas, 2000). On the other hand, joint venture firms and companies with foreign networks had better opportunities to deal with both the financial crisis and the domestic changes. While Indonesia was committed to supporting the World Trade Organisation and ASEAN Free Trade Agreement, Megawati's government had not developed a comprehensive strategy for preparing Indonesian firms to meet those commitments (Soesastro & Basri, 2005). Megawati ended her service in 2004.

The 2004 election was the most democratic election in Indonesian history. It was the first election to select not only the members of parliament but also the president of Indonesia in a direct election. Susilo Bambang Yudhoyono was elected and has led the country since 2004. He seems to have encouraged progress in international trade and investment. Among Yudhoyono's important contributions are his actions to follow up with previous government agreements, and to select cabinet members with competent backgrounds. He has worked to lessen the undue influence of political parties and the army on his government. One of his United Indonesia Cabinet (Kabinet Indonesia Bersatu) programs is to follow up regulation no. 25/2000 regarding the

National Development Plan. In 2004, regulation no. 25/2004, regarding the National Development Planning System, was launched, followed by the Government Regulation No. 07/2005, regarding Long Term Planning 2004-2009 (Sutrisno, 2008). This government regulation sets out mechanisms to develop industry and adopts a clustering-based approach. Ten industrial clusters were developed: food and beverages, marine products, textiles, footwear, palm, wooden furniture, rubber products, paper and pulp, electronics and electrical equipment, petrochemicals. With regard to international trade, several trade agreements were established, such as the Japan-Indonesia EPA (economic partnership agreement) and ASEAN-China FTA (free trade agreement) in which Indonesia was a signed member (Soesastro & Basri, 2005). In terms of investment, equal treatment of domestic and foreign investment policies was instituted, with the goal of encouraging both Indonesian and foreign firms, such as MNEs, to grow in Indonesia.

Previous studies of Indonesia's international economic development have focused on its international trade or investment policies (e.g., (Aswicahyono & Feridharnusetyawan, 2004, James & Ramstetter, 2008, Perdana & Friawan, 2007, Sjöholm, 2002, Soesastro & Basri, 2005, Thee Kian, 2006). However, little is yet known about how at the firm level, Indonesian firms learn about international markets.

2.5 SUMMARY OF RESEARCH GAPS

The review of previous research in the areas of internationalisation and organisational learning has brought to light several gaps. First, the literature suggests that internationalisation is a learning process. Organisational learning literature highlights that firms can learn from their own experience, or from the experience of others; International business studies have concentrated primarily on first-hand experience. Research on second-hand experience, is underdeveloped. Organisational learning studies mostly stress the buyer-supplier relationship as a way to learn from second-hand experience. However, learning from other types of second-hand experience, such as non

buyer-supplier relationships, is explored only in a very limited manner. Second, studies on learning about entering international markets have generally involved firms from developed countries. Given that internationalised firms from emerging markets have limited first-hand experience, the way in which such firms learn to enter international markets may differ from that of firms in developed countries.

One particular developing country – Indonesia – has been chosen as the location for this research. Indonesia, the fourth most populated country in the world, has changed its international policy direction from inward to outward looking over recent years. Selection of Indonesia as the context for the study allows for investigation of the internationalisation of firms from an emerging economy from Asia, as well as of the connection between inward and outward internationalisation.

Two broad research questions arise:

Q1. How do Indonesian firms absorb knowledge about entering international markets? In what ways do first- and second-hand experience influence the firm's absorptive capacity?

Q2. How is the absorptive capacity of Indonesian firms related to their decisions about approaching international markets? Is absorptive capacity related to the choice to follow others' decisions in this regard?

Four theoretical frameworks have been selected to guide the understanding of how firms from a developing country learn about entering international markets: the internationalisation process model, organisational learning, absorptive capacity and institutional theory. Meyer and Gelbuda (2006) recommend the adoption of a process perspective. The internationalisation process model, organisational learning, and institutional literatures all reside within this perspective. The organisational learning literature can be used as a basis for understanding the process of learning to internationalise, and the institutional literature can be used to understand how external forces shape the firm's learning behaviour and internationalisation decisions. These literatures

are integrated with the international business literature, in which the notion of ‘absorptive capacity’ is used to reflect both the process and the outcome of learning.

CHAPTER THREE

MODEL DEVELOPMENT

This section presents the proposed model of how Indonesian firms learn about entering international markets. The first subsection presents the development of hypotheses on how Indonesian firms absorb knowledge about entering international markets, from first- and/or second-hand experience. The second subsection presents the development of hypotheses on how Indonesian firms use their absorptive capacity, framed by their first- and/or second-hand experience, to approach international markets.

3.1 OVERVIEW OF THE MODEL

Internationalisation is a learning process (Johanson & Vahlne, 2003, Johanson & Vahlne, 1977). Knowledge, as the key driver of the internationalisation decision, and which is indicated by the absorptive capacity in this study, is not a static entity but is continuously developed during the firm's activities (Easterby-Smith, Graca, Antonacopoulou, & Ferdinand, 2008, Lane, Koka, & Pathak, 2006). This chapter presents from a learning perspective a process model of how Indonesian firms enter international markets. Organisational learning and institutional theories are adopted and integrated into those of international business.

The first subsection examines the process of how, through their first- and/or second-hand experience, Indonesian firms acquire, absorb and assimilate knowledge about entering international markets. The organisational learning literature is used to explain how first- and/or second-hand experience is associated with the firm's absorptive capacity, while institutional theory is used to understand how the environment may relate to the firm's level and speed of absorption.

The second subsection examines the process whereby Indonesian firms use their absorptive capacity to approach international markets. Specifically, this subsection explores how Indonesian firms transform and exploit their knowledge to enter international markets. Organisational learning theory is used to understand the role of absorptive capacity in the internationalisation decision making process. Institutional literature is used to understand how the institutional environment shapes the choices with respect to international actions.

The overall process model of how Indonesian firms learn about entering international markets is illustrated in figure 3.1.

Figure 3.1 How do Indonesian firms learn about entering international markets?

3.2 HOW DO FIRMS ABSORB KNOWLEDGE ABOUT ENTERING INTERNATIONAL MARKETS?

Organisational learning literature indicates that firms learn through various means, such as experience, grafting, searching, noticing, investigating others, hiring, training and imitating (Dodgson, 1993, Huber, 1991, Levitt & March, 1988, Lyles & Salk, 2007, Oyeleran-Oyeyinka, 2004). Firms learn from direct experience and from the experience of others (Levitt & March, 1988). This study refers to direct experience as first-hand experience, while the experience of others is referred to as second-hand experience.

Previous studies have found that the sources of learning can vary depending on the technology, life cycle and the industry in which a firm operates (Dodgson, 1993), and that rates of learning can vary across industries, products and time (Levitt & March, 1988). This study examines the environment in which the firm operates since sources of learning can differ according to the context in which the learning happens.

Organisational studies claim that firms operate in two types of environment: technical and social. Technical environment refers to the system where "...a product or service is produced and exchanged in a market..." (Scott & Meyer,

1991, p.123). Social environment refers to the system in which an organisation must conform to rules and regulations introduced by government, professional associations, trade associations and the like, to receive social and institutional support and legitimacy in order to perform well (Scott & Meyer, 1991).

The technical environment is inhabited by business actors who emphasise efficiency and effectiveness. These actors are buyers, suppliers and distributors. The interactions happen in the course of supply chain activities, which this study calls buyer-supplier relationships. International business studies recognise that most learning happens in these buyer-supplier relationships (Johanson & Mattsson, 1988, Johanson & Vahlne, 2003, Johanson & Vahlne, 1977) as they allow firms to understand and improve their business in the context of resource exchange activities.

The social environment encompasses non-direct business actors who emphasise social values. They include government institutions, trade associations and research institutes and other social actors. These relationships are not directly related to business activities, and this study labels them non buyer-supplier relationships. Studies have found that non buyer-supplier interaction also supports international operations because sustainable international operation requires understanding of and compliance with social values (Bianchi & Arnold, 2004, Yeoh, 2004), which is embedded in the social relationships.

As explained in the chapter 2, this study uses the term absorptive capacity to explore the processes and the outcomes of learning about international markets, as suggested by previous studies (Easterby-Smith, Graca, Antonacopoulou, & Ferdinand, 2008, Johanson & Vahlne, 2009, Nooteboom, 2000). This subsection explores how first- and second-hand experience relate to the firm's ability to absorb knowledge about entering international markets. First-hand experience, second-hand experience in buyer-supplier relationships and second-hand experience in non buyer-supplier relationships are investigated in that order.

3.2.1 Learning from first-hand experience

Organisational learning and international business studies stress that experiential knowledge, knowledge gained through first-hand experience, is powerful (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Eriksson & Chetty, 2003, Eriksson, Johanson, Majkgard, & Sharma, 2000, Eriksson, Johanson, Majkgard, & Sharma, 1997, Hadley & Wilson, 2003, Senge, 1990). Such knowledge is the driver of internationalisation decisions (Johanson & Vahlne, 1977).

Through operating abroad, a firm can gain knowledge about foreign business, foreign institutions and internationalisation (Eriksson, Johanson, Majkgard, & Sharma, 1997). That knowledge builds the cognitive capacity of the firm to understand about international markets. Empirical studies have found that firms that have done business in many countries were able to deal with customers of different cultures, and use their capability to expand further internationally (Eriksson & Chetty, 2003). On the other hand, firms with limited international experience and limited contacts with customers or suppliers tended to have a narrower understanding about international markets (Yli-Renko, Autio, & Tontti, 2002).

Since successful international business requires co-ordination of activities (Hakansson, Havila, & Pedersen, 1999), the more international experience the firm has, the more co-ordinative experience is amassed, and the more knowledgeable the firm should be about the technical aspects of operating internationally. Eriksson et al. (2000) claim that experience with a variety of international operations allows firms to accumulate knowledge. Through learning by doing, firms may be better able to gain knowledge from buyer-supplier relationships and apply it to ongoing business (Eriksson & Chetty, 2003).

Previous studies have identified positive relationships between international experience and absorptive capacity (e.g., (Eriksson & Chetty, 2003, Fosfuri &

Tribo, 2008). While most of these studies were undertaken in the context of developed countries, it is expected that similar results will be obtained in the Indonesian context. This leads to this study's first hypothesis:

H1: International experience is positively related to absorptive capacity among Indonesian firms.

3.2.2 Learning from second-hand experience in buyer-supplier relationships

The absorptive capacity of an organisation is developed through its organisational routines in for example, its research and development (R&D) and/or manufacturing operations (Cohen & Levinthal, 1990). Inter-organisational learning studies stress that learning can happen through collaboration with actors that possess target knowledge (Eriksson & Chetty, 2003). Through direct interaction with others, such as in their buyer-supplier relationships, firms are able to access additional experience second-hand, and learn from it. Daily activities through engagement with buyers and suppliers, provide opportunities for firms to obtain and develop international knowledge (Johanson & Vahlne, 1990). Empirical studies indicate that buyers and suppliers can facilitate the firm's learning about international markets (e.g., (Chetty & Blankenburg Holm, 2000, Coviello & Munro, 1997, Nassimbeni & Sartor, 2005, Schmitz & Knorringa, 2000, Yeoh, 2004).

Buyer-supplier relationships allow information particular to specific contexts to be communicated (Meeus, Oerlemans, & Hage, 2001). Since learning involves communication, the more trusted the information, such as that gained from close business partners, the more likely it is that a firm will use information from this source (Yeoh, 2000). Therefore, in addition to their own, first-hand experiences, firms are also able to develop absorptive capacity on a second-hand basis, through interaction with buyers and suppliers. The extent of relationships with buyers and suppliers includes intensity of communication, frequency of physical meetings, and the level of regular

discussion about the company's products and services. This leads to the second set of hypotheses:

H2: The extent of relationships with buyers and suppliers is positively related to the firm's absorptive capacity. Specifically:

H2a: The extent of relationships with buyers is positively related to the firm's absorptive capacity.

H2b: The extent of relationships with suppliers is positively related to the firm's absorptive capacity.

3.2.3 Learning from second-hand experience in non buyer-supplier relationships

Huber (1991) notes that another way by which knowledge can be acquired is vicarious learning. Vicarious learning is essentially acquiring second-hand experience and can be useful for reducing uncertainty (Dodgson, 1993, Huber, 1991). International business studies found that beside buyer-supplier relationships, non buyer-supplier relationships involving for example competitors (Sofka, 2008), government and social actors (Chetty & Patterson, 2002, McAuley, 1999, Zhou, Wu, & Luo, 2007, Zhu, Hitt, & Tihanyi, 2006) can also help the firm to learn or enter international markets.

Previous studies have distinguished three types of knowledge important in internationalisation: knowledge related to product, to process and to markets (Van den Bosch, Volberda, & De Boer, 1999, Yeoh, 2004). These affect the firm's ability to develop new products, its ability to identify and cope with emerging technology, and to adapt products and services to targeted markets while dealing with market requirements, respectively. Importantly, most of the knowledge needed in international business activities is tacit (Dhanaraj, Lyles, Steensma, & Tihanyi, 2004, Kogut & Zander, 1993, Oyeleran-Oyeyinka, 2004). Common values, and trust in the social system underlie the transfer of this tacit knowledge.

Socialising is recognised as a way to transfer tacit knowledge from one source to new tacit knowledge in another context, either for the sender or receiver (Nonaka, Byosiére, Borucki, & Konno, 1994). As a member of a social environment, an organisation can and does socialise. Firms are inherently members of the society (or societies) in which they are located. Through direct interaction in social relationships, firms are able to access others' experience and learn. These contacts include relationships with governments, professional associations and community development groups. Through searching and noticing what happens around them (Huber, 1991), firms unconsciously or consciously absorb knowledge. Relationships within trade associations (Chetty & Blankenburg Holm, 2000), chambers of commerce (Yeoh, 2000), professional associations, government export promotion programmes (Patterson & Chetty, 2003), research collaborations (Larimo, 2003) and non-business related networks (McAuley, 1999) have been mentioned as contributing to firms' internationalisation and, implicitly, to knowledge related to internationalisation.

Brewer (2001) noted that firms make judgments on their international approaches based on information gained through a variety of avenues, including attending exhibitions, government programmes, seminars and meeting with previous customers. Because this broader group of actors may engage with various international actors with whom local firms may not be familiar (Korn & Baum, 1999), interaction with such actors provides opportunities for firms to learn indirectly through others' experiences (Chetty & Patterson, 2002) and develop their own absorptive capacity.

Indonesia has its own large domestic market and so firms there may target both domestic and foreign markets. Learning about international markets thus may be obtained directly or indirectly through social partners in both domestic and foreign markets. In addition, as mentioned in chapter 2, Indonesia has adopted inward direct investment policies, whereby foreign multinationals can operate in domestic markets. This leads to the third set of hypotheses:

H3: The extent of relationships with non buyers and suppliers is positively related to the firm's absorptive capacity. Specifically:

H3a: The extent of relationships with domestic competitors contributes positively to the firm's absorptive capacity.

H3b: The extent of relationships with foreign competitors contributes positively to the firm's absorptive capacity.

H3c: The extent of relationships with foreign multinational enterprises (FMNEs) operating in the domestic market contributes positively to the firm's absorptive capacity.

H3d: The extent of relationships with universities contributes positively to the firm's absorptive capacity.

H3e: The extent of relationships with government contributes positively to the firm's absorptive capacity.

H3f: Attending conferences contributes positively to the firm's absorptive capacity.

H3g: Attending local exhibitions contributes positively to the firm's absorptive capacity.

H3h: Attending foreign exhibitions contribute positively to the firm's absorptive capacity.

H3i: Reading published standards contribute positively to the firm's absorptive capacity.

A summary of the logical development of hypotheses 1-3 above is illustrated below.

Figure 3.2 How do Indonesian firms absorb knowledge about entering international markets from first- and second-hand experience?

3.2.4 Learning from buyer-supplier and from non buyer-supplier relationships compared

Firms are social actors and their relationships are not conducted in isolation. Through engagement with a variety of other entities, firms can learn from many sources (Parkhe, Wasserman, & Ralston, 2006), including the experience of buyers, suppliers, non buyer-supplier actors.

Nonaka and Toyama (2002) maintain that knowledge created within a context and routines facilitates the creation of new knowledge. Organisational studies that compare buyer-supplier and non buyer-supplier relationships argue that non buyer-supplier relationships may have no general pattern of communication, while buyer-supplier relationships may be better able to structure the transfer of knowledge. For example, Schmitz and Knorringa (2000) found that in a business to business relationship, when buyers have concerns about products and quality, they are willing to develop the capacity of their suppliers so that these suppliers can produce components with the quality required by the buyers. In order to support quality assurance along the value chain, buyers develop policies within their organisations to communicate effectively with their suppliers and to maintain the trust between

them. Given more similar contexts and shared experiences, knowledge transfer between buyers and suppliers may have fewer barriers, than those between non buyers and supplier.

Non buyers and suppliers may have fewer consistent patterns of communication. The non buyer-supplier relationship is characterised by random topics of discussion or events arising at their meetings. Given that learning is path dependent, and cumulative upon previous experience (Bergh & Lim, 2008, Eisenhardt & Martin, 2000), knowledge transfer based on second-hand experiences from non buyer-supplier relationships is more complicated.

The more repeatedly the context is communicated, such as in meetings communications between firms, the better the understanding of each has of the other's capacity for developing international business activities. Buyers and suppliers can provide more relevant operational inputs to the focal firm, which permit development of a firm's capacity. Lane and Lubatkin (1998) claim that, in an inter-organisational learning situation, the more similar the structure, value and reward system between firms, the better the 'student' will learn from the 'teacher'. If we assume that firms learn from others, either buyer-supplier or non buyer-supplier, this means that the more similar the structure between the firm (student) and the teacher (buyer, supplier, or other company), the more easily the firm will learn from these partners.

With regard to international entry, firms may discuss product adaptation or process adaptation with buyers and suppliers. Since buyers and suppliers have more opportunity for regular discussion than non buyers and suppliers, the development of absorptive capacity is more likely to occur through these types of relationship. Thus, buyers and suppliers may be more able to feed the firm's absorptive capacity development. This line of reasoning leads to the next set of hypotheses:

H4: Buyer-supplier relationships contribute more than non buyer-supplier relationships to the firm's absorptive capacity in respect to entering international markets. Specifically:

H4a: *Ceteris paribus*, relationships with buyers are more strongly related to the firm's absorptive capacity than non buyer-supplier relationships.

H4b: *Ceteris paribus*, relationships with suppliers are more strongly related to the firm's absorptive capacity than non buyer-supplier relationships.

3.2.5 Learning from first- and from second-hand experiences compared

Firms may learn from their first- and/or second-hand experiences. Studies indicate that learning happens through various stages. For example, Nonaka and Toyama (2003) write that knowledge creation happens through a process of socialisation, externalisation, combination and internalisation, which includes the transformation of tacit to/from explicit knowledge and happens at individual, group, organisation and intra organisational levels. Absorptive capacity studies focused on organisational level recognise both potential and realised capacity (Jansen, Van Den Bosch, & Volberda, 2005, Zahra & George, 2002). Potential capacity is the knowledge that has been absorbed, but not yet exploited. Realised capacity is the knowledge that has been exploited, such as through the firm's experience.

The contribution of experience to a firm's absorptive capacity has not been conclusively determined. Jansen, Van Den Bosch and Volberda (2005), for example, found no significant relationship between routines and realised absorptive capacity. On the other hand, Soosay and Hyland (2008) found that a firm's absorptive capacity and use of knowledge for decision making depends on the previous use of that knowledge, i.e. on experiential knowledge. In the context of Indonesia, whose domestic markets consists of both local and foreign firms, and firms can choose to target both domestic and foreign markets, firms may consider others' experience to be less useful. A firm's own experience can help it assess its internationalisation decision. Internationalisation studies have made similar findings where experiential

knowledge is used in the internationalisation decision making process (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Eriksson & Chetty, 2003, Eriksson, Johanson, Majkgard, & Sharma, 1997, Hadley & Wilson, 2003).and so, in line with international business literature, this study hypothesises that:

H5: A firm's own experience provides a stronger contribution than second-hand experience, in the decision process about entering international markets.

International business and organisational studies emphasise the importance of context in the learning process (Blomstermo & Choi, 2003). Firms have their own internal and external environments that may influence their learning about entering international markets. For example, the complexity of a firm's products may relate to how knowledge is translated and created within the organisation (Blomstermo & Choi, 2003), and firm and industry characteristics may relate to the exporting strategy (Tesfom & Lutz, 2006). Therefore, in order to better understand how firm and the industry characteristics influence the learning behaviour of Indonesian firms when entering international markets, the next section explores organisational learning and firm characteristics.

Organisational learning and characteristics of the firm

Just as their positions in the international market and their access to learning from second-hand experience differ, so firms follow different paths when entering international markets. From the relational perspective, international business studies recognise two types of firms: highly international firms and lowly international firms (Johanson & Mattsson, 1988). Highly international firms serve multiple markets. These firms are more likely to engage in large numbers of contacts related to international operations, each of which provides access to learning opportunities from others. Lowly internationalised firms have limited international experience, and few international contacts. Contacts, for Johanson and Mattsson (1988), refer to access to knowledge about international markets.

Organisational learning further notes that, in order to learn something new, firms need to unlearn. For example, when a domestic oriented firm enters the international market it needs to unlearn its domestic paradigm (Blomstermo, Eriksson, & Sharma, 2004, Sinkula, 2002) because contact does not guarantee learning. Rather than simple acquisition of data or information, learning is about understanding the information in the firm's own context.

Previous studies have indicated that absorptive capacity development involves similarities between the sender and receiver organisations. The assessments of both sender and receiver include compatibility, in terms of organisational structure and basic knowledge (Lane & Lubatkin, 1998). Although an experienced firm may have many contacts, it may not be able to absorb all of the information provided, due to framing from previous experience. Firms may become trapped in existing routines (Blomstermo, Eriksson, & Sharma, 2004) and dedicated production facilities (Gilsing & Nooteboom, 2006), which may hinder them from moving beyond their existing beliefs and learning something new, for example, about international markets.

Inexperienced firms, however, may be particularly keen to learn, as they seek frames of reference to guide their actions. Compared with experienced firms, inexperienced firms may be more free to absorb knowledge and apply it (Gabrielsson & Kirpalani, 2004), having fewer strongly-held beliefs to hinder them from absorbing new perspectives. The notion that such firms have less need to unlearn (Sinkula, 2002) leads to the next set of hypotheses:

H6: The development of absorptive capacity differs between firms with high and low levels of internationalisation. Specifically:

H6a: Less internationally experienced firms absorb knowledge related to internationalisation faster than more internationally experienced firms.

Tesfom and Lutz (2006) indicate that in a developing country, lack of marketing knowledge and information is one of the key barriers to exporting, whereas contacts provide access to knowledge and to making informed decisions (Brewer, 2001). Less internationally experienced firms may have

few international buyers or suppliers from whom to learn about international markets for their products or services. On the other hand, the long established institutions, such as social networks from school-associated contacts, trade fairs (McAuley, 1999) provide opportunities to access knowledge about how to enter international markets. On the basis that such firms' main contacts are social actors, this study hypothesises that:

H6b: Less internationally experienced firms acquire more knowledge from non buyer-supplier relationships than do highly internationalised firms.

Organisational learning and characteristics of the industry

Studies have found that research and development helps firms develop their capacity (Cohen & Levinthal, 1990, Leahy & Neary, 2007). The level of technology in the industry in which a firm operates is associated with the acquisition of knowledge (Lee & Tan, 2006). In a developing country, like Indonesia, however, R&D activities are not well promoted (Thee Kian, 2006).

Industry in Indonesia is divided into labour intensive and technology intensive. Labour intensive industries are low-tech and generally use resources that are low in both cost and knowledge requirements. High-tech oriented industries emphasise R&D, use high value resources and are more knowledge based. The structure of information sharing and supply-chain connectedness is often quite different in these two types of industry.

Van den Bosch et al. (1999) maintain that, in general, the way a firm absorbs knowledge is determined by demands on its products or services, processes and markets. Demands may include innovative or low-cost products, improved service and new markets. Firms face pressures to increase the speed at which they change, and deliver novel products and technologies to the market (Nooteboom, 2000, Van den Bosch, Volberda, & De Boer, 1999). With respect to the firm's internationalisation, Johanson and Vahlne (2003) argue that global competition and the acceleration of technological advancement may force firms to internationalise faster than predicted by the

internationalisation process model. Considering the arguments above, it seems that firms operating in high-tech industries, even more than firms operating in low-tech industries, require rapid innovation and intense communication between firms along the supply chain, in order to meet their demands.

Cohen and Levinthal (1990, p.135) claim that organisational routines embedded in process and product development systems help to explain why knowledge is developed disproportionately across firms and industries. The infrastructure for knowledge dissemination in high-tech oriented industry is relatively well established. In low-tech oriented industry that infrastructure is much less developed.

In Indonesia participants in high-tech oriented industry are mainly multinational companies, attracted by the country's inward direct investment policy. Operating in a high-tech oriented industry allows those firms greater exposure to opportunities for learning about international markets, than that available to firms operating in low-tech industries. Firms in high-tech industries have access to an embedded system, in the form of buyer-supplier relationships, which allows them to learn more quickly and broadly than firms in low-tech industries. Suppliers in high-tech industries generally serve several buyers and consequently may act as the hub for transfer of knowledge between firms. Therefore, this study hypothesises:

H7: The characteristics of learning about entering international markets are different between firms from high- and low-tech industries. Specifically:

H7a: Controlling for experience, firms in high-tech industries absorb more knowledge from buyer-supplier relationships than do firms in low-tech oriented industries.

H7b: Controlling for experience, firms in high-tech industries absorb knowledge faster than do firms in low-tech industries.

3.3 HOW DO FIRMS USE THEIR KNOWLEDGE TO APPROACH INTERNATIONAL MARKETS?

This subsection extends the consideration of absorptive capacity to examine the process of taking decisions about international markets. Market seeking firms make decisions about international markets in terms of country entered, entry mode and the time of entering the market (Ellis, 2007, Huang & Sternquist, 2007). Before entry, firms need to know which market they are aiming for, how to approach this market, and when the approach should be made. Consistent with the premise of this study, that firms obtain knowledge about international markets from both their own experiences and the experiences of others, decisions about international markets may be guided by the actions of the focal firms themselves and by those of other actors with which the firm has contact. This subsection looks at the process of deciding to internationalise from the learning perspective. It identifies how firms use their absorptive capacity to make internationalisation decisions, who the firms' referrals are and which mimetic actions the firms follow if any (see figure 3.3).

Figure 3.3 How do Indonesian firms use their absorptive capacity to approach international markets?

3.3.1 Referral in the internationalisation decision

The organisational learning literature stresses that learning is path dependent. What a firm has learned in the past shapes its learning and decisions in the future (Cohen & Levinthal, 1990). In the international business context, when they enter international markets firms need knowledge about what to do and whom to contact in the new environment (Lindstrand, 2003). There is evidence that knowing what to do and knowing how to operate internationally may be acquired from experiences of both the focal firm and of others with which it has dealings.

The context in which the decisions are made and implemented is important. The institutional environment effectively sets the rules for what is acceptable and what is unacceptable (Zucker, 1987). Thus, in implementing decisions regarding international activities, firms need to know whether their actions are likely to be perceived as legitimate in the foreign environment. The experience of others may help to guide decisions, assisting the investing firm to reduce uncertainty and deal with issues of legitimacy in the new context.

Organisations make choices in the face of constraints. Companies are not completely free to introduce actions, because of a range of limitations, including social rules and those imposed by governments. Firms' actions must comply with social values, at home and in the target market, in order to maintain legitimacy. In addition, interconnectedness in the market may also reduce organisational freedom (DiMaggio & Powell, 1983). A change in one organisation may create flow-on effects in connected organisations, many of which are not within the new entrant firm's close network, and may be unfamiliar to it. In order to operate in the face of so much uncertainty, firms with limited experience may find that the safest approach is to follow the actions of other firms.

Van den Bosch, et al. (1999) note that firms with higher levels of absorptive capacity tend to be more proactive with respect to their strategic actions. They know what to do and they know how to do it. However, emerging countries'

firms have relatively limited international experience and limited access to contacts from whom to learn or to whom to refer, all of which presents them with more difficulties in decision-making (Brouthers, O'Donnell, & Hadjimarcou, 2005).

Entering a new market, particularly in the international business context, means operating in a new situation. Firms face uncertainty as to whether their knowledge is applicable to the different environment. New entrant firms tend to conduct extensive searches for information (Karunaratna & Johnson, 1997, Yeoh, 2000), including investigating others' actions. A new entrant firm needs to learn about other firms in the market, and to inform partners and competitors about its capabilities. Other players in the market may question the legitimacy of a new entrant (Aldrich, 2000), about whom they may have little information. Organisations that operate in a new and uncertain environment face the risk of being viewed as strangers (Korn & Baum, 1999).

Tsang (1999) in his study of joint ventures found that, in order to survive, firms are forced to deal with social and technical knowledge. Technical knowledge includes explicit requirements and standards. Social knowledge, is less codified and not easily transferred from one operation to another (Galaskiewicz & Wasserman, 1989). Thus, a new entrant firm may perceive that it has a limited frame of reference for how to cope with the different environment. In this situation, referring to others or following social rules may confer legitimacy. Such imitative behaviour represents an opportunity for rapid learning about the business environment, and can help the firm reduce the risk associated with the unknown international market, while at the same time increase its own legitimacy (Zander & Kogut, 1995, Zucker, 1987).

Institutional theory recognises three types of isomorphism or pressure to confirm: coercive, mimetic and normative. Coercive isomorphism occurs when firms are required to follow certain rules, at the risk of being banned from operating. The pressure on them can be formal or informal, and include local or national government policies (DiMaggio & Powell, 1983) and

professional group standards (Oliver, 1991). Mimetic isomorphism happens when firms model themselves upon others they perceive as successful (DiMaggio & Powell, 1983). Normative isomorphism occurs when for example, industrial practices change and adopted norms are adjusted.

The coercive and normative values are not always disseminated in a formal way, because key stakeholders may impose their own will in setting standards. For example, a standard may be introduced by the biggest player in the industry. As a result, only connected firms will know about the norms and legitimate value in the related business. Firms that lack experience, with limited references about the contacts, standards, and how the business works, may have difficulties in understanding the current issues in the business, and may feel they do not have enough knowledge on which base decision making. With limited experience, these firms feel under greater pressure in making internationalisation decision.

At the lower levels of absorptive capacity, paying close attention to what others do may be a safe option. Firms are likely to observe and follow other firms that are visible and accessible. These are probably operators in the focal firms' environment. For example, studies found that knowledge spill over happens from FMNEs to their local suppliers and allows them to learn about approaching international markets (Giroud, 2007). Firms may also learn how to approach international markets from the industry groups in the domestic market (Chetty & Patterson, 2002), or from their competitors (Lindstrand, Eriksson, & Sharma, 2009). Indonesian firms may learn both from domestic indigenous companies and from international firms who operate in the Indonesian market following Indonesia's introduction of an inward direct investment policy allowing FMNEs to enter domestic markets. This line of reasoning leads to the next set of hypotheses:

H8: The lower the firm's absorptive capacity, the more it is likely to follow others. Specifically:

H8a: The lower the firm's absorptive capacity, the more it follows the actions of domestic competitors.

H8b: The lower the firm's absorptive capacity, the more it follows the actions of foreign competitors.

H8c: The lower the firm's absorptive capacity, the more it follows the actions of Indonesia's FMNEs.

3.3.2 Reference of internationalisation decisions

The decision to enter an international market involves three strategic choices: country to enter, mode of entry mode and timing of entry (Huang & Sternquist, 2007). These strategic decisions are made after weighing up regulatory, normative and cognitive factors. Firms select the country and decide the time to enter international markets with the regulatory context in mind. If there is a bilateral agreement encouraging or supporting export activities then the time frame of that agreement will influence the time of entry decision. Normative and cognitive values help firms assess the compatibility, acceptability and likelihood of success of the type(s) of approach they might adopt to enter international markets

Wood and Robertson (2000) found from their empirical studies that firms identify market potential in the targeted country by researching the industry and by identifying export transactions. Firms thus investigate industry level data to understand where the markets are and the appropriate mode and time for entry into them. Consistent with the findings of the literature, this study believes that firms with a perceived lack of knowledge tend to follow others' actions, which leads to the last set of hypotheses:

H9: The lower the firm's absorptive capacity, the more it is likely to follow others' international strategic actions.

Specifically:

H9a: The lower the firm's absorptive capacity, the more it follows the country selections of other international firms.

H9b: The lower the firm's absorptive capacity, the more it follows the entry mode choices of other international firms.

H9c: The lower the firm's absorptive capacity, the more it follows the timing of entering international markets of other international firms.

CHAPTER FOUR

METHODOLOGY

This chapter explains how the research for this study was conducted. The first subsection describes how a mixed methodology approach, including both qualitative and quantitative components, was chosen. The qualitative portion of the study was intended to provide context and deeper knowledge regarding the internationalisation of Indonesian firms, and to guide the development of the postal questionnaire. The quantitative portion of the study was aimed at testing the model suggested in chapter 3. The second and third sections detail the steps conducted in the qualitative and quantitative components respectively: defining samples, measures and analysis; collecting data via interviews and a postal survey; testing of the hypotheses. The fourth section presents the approaches taken to analyse the data collected for this study.

4.1 RESEARCH METHODOLOGY

In order to study the issues of interest and test the hypotheses outlined in the previous chapter, a mixed method approach was employed. This approach provides deeper insights and is especially useful for research conducted in a developing country, where postal surveys may be subject to poor response and personal contacts are necessary (Hurmerinta-Peltomäki & Nummela, 2006).

The mixed research strategy employs "...a methodology that combines quantitative and qualitative elements in the data collection and/or analysis..." (Hurmerinta-Peltomäki & Nummela, 2006, p.441). The type of approach adopted (e.g., exploratory versus explanatory) reflects the context of the study and the availability of developed measures vs. the need to develop new ones. This study chose an exploratory design, following Creswell and Clark (2007, p.75), who maintain that an exploratory design is suitable in a situation where measures or instruments may differ from those of existing studies, variables are unknown, and the study aims at developing or testing a model or theory (Morse, 2003, p.202, Teddlie & Yu, 2007) or obtaining general results across different groups.

The exploratory mixed methodology has two stages, known as the sequential qualitative–quantitative approach (Creswell & Clark, 2007). First, the qualitative study is conducted to develop an understanding of the phenomenon of interest for the study. The qualitative study was used to confirm, extend and modify the set of independent variables originating from the literature. It resulted in the redevelopment of propositions and finalising the development of instruments for the quantitative study. Second, the quantitative data collection and analysis is conducted with developed measures and variables. The final interpretation combines the results of the qualitative and quantitative components of the research. In the field of international business, Hurmerinta-Peltomäki and Nummela (2006) maintain that starting mixed method research with a qualitative study can familiarise the researcher with the subject or

context of the study, thereby improving the researcher's understanding and providing more accurate interpretation, which leads to increased validity.

The subsections below present the activities undertaken in the qualitative study, the quantitative study and the final analysis. In both the qualitative and quantitative studies, the sampling frame, data collection and analysis are presented. The final analysis focuses on the validation of the overall study. Creswell and Clark (2007) maintain that, in mixed method research, the qualitative study is analysed using the qualitative approach, the quantitative study is analysed using the quantitative approach and the overall validity of the sequential qualitative-quantitative approach should be discussed.

4.2 QUALITATIVE STUDY

This subsection presents activities necessary to conducting the three key stages in exploratory qualitative research: sampling, triangulation, and analysis (Pauwels & Matthyssens, 2004). Because the focus is exploratory, other activities such as pattern matching, are omitted, as they are not viewed as critical for explanatory studies (Pauwels & Matthyssens, 2004, Yin, 2002). The activities discussed are: case selection and sampling method, data collection and triangulation, and data analysis.

4.2.1 Case selection and sampling method

Bonoma (1985) advocates conducting case research for the initial investigation of phenomena about which little is known. Case research can be used as a basis for theory development (Eisenhardt, 1989, Eisenhardt & Graebner, 2007), and allows answers to be found for 'how' and 'why' research questions (Ghauri, 2004, Yin, 2002). It fits particularly well with international business research, where data from various business settings and sources may be involved (Ghauri, 2004). The case approach can also be combined with quantitative research. Hurmerinta-Peltomäki and Nummela (2006) note that, in a mixed method approach, case research can help to better identify a suitable

sampling frame and re-define data collection methods, in addition to operationalising key constructs for a subsequent quantitative study. Multiple-case research, in the context of a mixed methodology is adopted. This approach helps to identify differences and similarities between cases, leading to deeper understanding of the phenomena of interest. Multiple cases tend to yield stronger validity and stability than those produced by a single case study (Miles & Huberman, 1994, p.29).

This study also adopts a multiple purposive sampling approach. Purposive sampling is designed to pick a small number of cases, aimed at producing the most informative results from the interviews (Teddlie & Yu, 2007), and is considered particularly appropriate for theory development. A combination of theory based, maximum variation and snowball approach was used in selecting the cases, in order to improve the understanding of the subject (Teddlie & Yu, 2007).

The theory based selection process follows guidelines provided by Ghauri (2004). First, a case should be relevant to the research problem. Second, it must be studiable using the theoretical approach of the study. Third, the case should accommodate the variables of interest to the study. Multiple cases were undertaken to enable a broader and more general explanation of the research question (Ghauri, 2004) and to offer an externally valid outcome (Pauwels & Matthyssens, 2004).

Several criteria were developed for the selection of case companies. The first was to limit the cases to Indonesian manufacturing exporters. By focusing on the manufacturing sector, this study sought to eliminate the impact of the fundamental variation that exists between the manufacturing and service sectors, where key characteristics may differ. Exporters were chosen because exporting is the most common approach to entering international markets (Korhonen, Luostarinen, & Welch, 1996). Case organisations had to be active

export manufacturers and to have conducted export activities regularly within the previous two years.

The second criterion was to be able to look at the learning and internationalisation processes, in order to gain a general understanding about how firms at various stages of internationalisation learn about international markets. The Indonesian Bureau of Statistics regularly reports Indonesian trade figures by country and by industry. Some industries are heavily involved in export activities, while others are not. Firms in the electronics, automotive and machinery industries face rapidly changing technology and industrial standards which may push them to learn about international markets more quickly than other firms. Product development in such high-tech oriented industries involves complex industrial relationships, including buyer, supplier and social relationships. The Indonesian firms in these industries are generally global players. In addition, the electronics, automotive and machinery industries are within the strategic focus of the Indonesian government. As a consequence these industries in Indonesia are characterised by a high number of international joint ventures. On the other hand, the Indonesian food and beverage, wood processing and textile industries employ fairly limited technology (Worz, 2004). These firms' competitive advantage is generally based on abundant natural resources and low-cost labour, and their supply chain relationships are simpler than those of the electronics, automotive and machinery industries. Firms in the food and beverage, wood processing and textile industries are less-technology oriented and less internationalised than those of the electronics and machinery sectors, with some of the major competitors in the Indonesian domestic market operating as strictly domestic firms. By considering firms from these different industrial contexts, this study was able to investigate how buyer-supplier and social relationships are related to a firm's learning to internationalise, and can lead to a more general understanding of how firms learn from first and second-hand experience, and whether firms in different sectors learn in similar or contrasting ways.

Yin (2003, p.47) suggests including four to 10 cases. This study included five firms, three from high-tech industries: electronics, automotive and metal industries, and two from low-tech industries: food and beverage and wood processing industries.

Third, case selection was also based on other criteria that may explain a firm's learning behaviour for internationalisation. Previous studies indicate that organisational structure is important in facilitating communication within the firm and the development of an organisation's absorptive capacity (Lane, Koka, & Pathak, 2006, Van den Bosch, Volberda, & De Boer, 1999). However, the structure of an organisation is not easily seen from the outside. Another way of classifying organisational structure is by looking at the ownership structure. Included in this study are state owned, publicly listed and private enterprises, following the categorisation in the Narjoko and Hill (2007) who studied Indonesian manufacturing firms.

Another aspect of ownership pertains to ethnic background. Many Indonesian companies are owned by Indonesians of Chinese ethnicity. Both indigenous and non-indigenous (i.e., Chinese-Indonesian) firms were included in this study in order to see whether there are differences between their approaches to entering international markets and also to ensure that the cases studied reflected the population make-up.

The variation of the cases was maximised by following Teddlie and Yu (2007), who maintain that, in a purposive sampling technique, the researcher can select cases which can provide the most valuable understanding about the study. They argue that cases can be selected before and during the study, and that selection can be made by utilising expert judgments. This study employed cases that are unique but also duplicable (Eisenhardt & Graebner, 2007). It also took into account the recommendations of expert judgment, such as the Gabungan Pengusaha Export Indonesia (GPEI) - export association, the

Indonesia Chamber of Commerce (KADIN) and a representative of the Ministry of Trade.

Eisenhardt and Graebner (2007) argue that, for theory building case research, cases are selected because they offer theoretical insights. Extreme cases, also called ‘polar types’, ‘outliers’ or ‘near the ends’ cases (Eisenhardt & Graebner, 2007, Teddlie & Yu, 2007), may help the researcher to identify contrasting patterns in the data analysis, and contrasting arguments from the existing theory (Eisenhardt & Graebner, 2007). Extreme success or extreme failure cases can provide valuable information about the subject of the study (Teddlie & Yu, 2007). This study chose extreme success cases, as they can help to understand how Indonesian firms can progress to the international stage and, historically, most successful firms have also experienced failure. Firms that had experienced failure proved, however, difficult to access.

The selection of the five firms followed a two step process. First, three firms were selected: a publicly listed alloy wheel manufacturing exporter (WHEEL), an indigenous Indonesian sea food manufacturing exporter (SEA), and a Chinese Indonesian electronics export manufacturer that was an OEM (Original Equipment Manufacturer) of Japanese products (ELECTRONICS).

WHEEL was selected because it has some relatively unique properties. The number of players in the automotive industry in Indonesia is limited; most of the players are either international joint ventures or subcontractors of these firms. WHEEL, on the other hand, is neither an international joint venture nor a subcontractor of these automotive firms. The firm is also a publicly listed company, which indicates an extraordinary learning process for an Indonesian firm.

SEA was a small-medium enterprise in the food and beverage industry, which grew tremendously within a decade, and is now a considerable food manufacturing exporter. It also received the Primaniyarta Award, the export

manufacturing award from the government of Indonesia. Including this firm provided a rich understanding of how an Indonesian firm evolves in its internationalisation, in terms of company size, structure, strategy, and management of knowledge relating to entering international markets.

Industrial development in Indonesia is based on a clustering approach. There are three regions for electronics industries: the Batam industrial district area, located close to Malaysia and Singapore, dedicated to foreign investment and export –oriented; the Jabodetabek industrial area, which houses both domestic and joint venture firms; and the Surabaya area housing of Indonesian firms. Within the Surabaya area, ELECTRONICS is a family owned firm. It is not a joint venture but supplies large world players through both OEM and non OEM approaches.

While this study involves two types of industries, high-tech and low-tech, identifying outstanding firms from low-tech industries proved difficult. Therefore, this study started with three cases. After interviewing these three firms, it became evident that there might be some systematic pattern in the variation regarding how firms learn about international markets, related to organisational structure and ownership characteristics. In a qualitative study, sampling is often an iterative process and this proved to be the case for this study. This approach was also suggested by Pauwels and Matthyssens (2004), who undertook a two stage qualitative data collection in order to understand the variables for their study. For this study, a snowball approach was used to include two additional firms: a privately owned, family business export manufacturer in the metal industry (GOLD) and a state owned enterprise (SOE) in the furniture industry (FURNI). These firms were added to understand how the ownership type of the firm may be related to absorptive capacity development and export behaviour. Unlike the general run of export manufacturers, GOLD is neither an OEM firm nor a joint venture nor did it initially intend to enter export markets. It is the first Indonesian gold company to have attended international expositions. Its attendance was facilitated by the

government. By including GOLD, this study acquired a better chance to learn about the intricacies of changing strategy from domestic to export, and the related knowledge development. In addition, this study could further explore how non buyer-supplier relationships contribute to the firm's absorptive capacity development.

The furniture industry is an export oriented industry in which several SOEs operate. FURNI is a pilot private-SOE business that was developed by the government during the launching of the export promotion period of Indonesia. Although FURNI is not extraordinary in terms of export performance, it is the only SOE that still maintains the hybrid private-SOE business form. Other SOEs that followed this approach have either become fully privatised or reverted to fully SOE status.

These five firms with their different levels of internationalisation, technology orientation and decision processes were selected to reflect the variation among Indonesian exporting firms and as a representative group on which to base more general findings. ELECTRONICS and FURNI are firms characterised by low levels of internationalisation. These firms might learn differently from WHEEL and GOLD, which are highly internationalised firms. ELETRONICS, WHEEL and GOLD operate in industries characterised by high levels of technology orientation and internationalisation. These firms might learn differently about international markets from SEA and FURNI which operate in low-tech and less internationalised industries. SEA and ELECTRONICS are private firms. These firms might learn differently from WHEEL (a publicly listed firm), GOLD (a family owned firm) or FURNI (a state owned enterprise). In addition, as this study is interested in second-hand learning, the firm's networks were also investigated. ELECTRONICS and GOLD are owned and managed by Chinese Indonesians, while SEA and FURNI are managed by indigenous Indonesians. These firms may have different network characteristics that influence their learning from others.

4.2.3 Data collection and triangulation

In order to obtain standardised information, an interview protocol, with questions drawn from the existing literature, was developed in English and translated into Bahasa Indonesia. The back-translation was conducted by a colleague who is expert in both Bahasa and English, in order to ensure consistent translation and validity, following Douglas and Craig (2007).

The interview protocol also structured the interview and ensured that necessary information was not missed (Daniels & Cannice, 2004). There were seven sections: general information about the respondent, general information about the company, the firm's internationalisation situation, the absorptive capacity of the firm, the network of the firm, the development of absorptive capacity, and internationalisation approaches. All of the questions were open-ended questions, following Vitale, Armenakis and Feild (2008), who maintain that open-ended questions are appropriate to explore, explain or confirm ideas, while closed questions work best in a quantitative study with specific variables, as they can be used to test relationships.

All of the potential respondents were contacted first through personal networks by people who had access to the key personnel of the firm. For example, in the first stage of data collection, access to WHEEL, SEA and ELECTRONICS was possible through the facilitation of a friend who worked in WHEEL, a colleague who studied at the same school as the owner of SEA, and the chair of electronics industry association's facilitation to contact ELECTRONICS's director. In the second stage of data collection, access to GOLD and FURNI became possible through the researcher's membership in Asosiasi Manajemen Indonesia – AMA, the management association, and facilitation from the chairman of Gabungan Pengusaha Ekspor Indonesia, GPEI, who had a business deal with FURNI.

Firms that indicated a willingness to participate were further contacted by telephone, to make interview appointments with key informants, and assure

that the responses of individuals and the companies would be strictly confidential, following ethical standards for a study involving human subjects. Several days before the interview, a research information sheet and interview protocol was sent to the respondents by fax and/or email, to ensure that participants understood about the project. As a prerequisite to participation, the informants were asked to read the interview protocol, raise questions if any and complete a participant consent form just before the interview, which provided the information necessary to complete the interviews and stated the voluntarily nature of the study.

In order to reduce the potential for misunderstanding, the interviews were conducted in Bahasa Indonesia, the language commonly used in the companies, as suggested by Marschan-Piekkari and Reis (2004). Each interview was conducted with key people dealing with the export decisions in the company: an owner of the company (SEA), a marketing director (GOLD), and export managers (ELECTRONICS, WHEEL, FURNI). The interviews were conducted in about two hours at the company offices, and notes were taken manually during the interviews. This was to allow respondents to talk more freely and to improve the results of interview, as tape recording might inhibit the respondents' expressions (Daniels & Cannice, 2004). Following up after the interview, an interview transcript was developed, and sent to the company for approval. Minor revisions were received and incorporated. After the revisions of interview transcripts, sent by email, were accepted by the respondents, the revised interview transcripts were used for data analysis. The cover letter, consent form and interview protocol for this qualitative study can be seen in appendix A.

Triangulation is the process of collecting data through different methods and from different sources, to obtain a more comprehensive picture of the object of a study (Ghauri, 2004) and to ensure internal validity of the data. Because the researchers' interpretation cannot be completely removed from a qualitative study, it is advisable to avoid having to rely solely on the interviews for

developing findings. Three ways to conduct triangulation are recognised: interviewing more than one respondent per organisation, incorporating both primary and secondary data (Eisenhardt & Graebner, 2007), and interviewing respondents more than once (Pauwels & Matthyssens, 2004). This study followed the suggestions to interview respondents who might have different perspectives and to employ archival information. Triangulation was accomplished by investigating secondary, published sources of information about the companies, such as company profiles and information on websites; by interviewing the chairs of several industries and associations, including the exporters' association (GPEI), the furniture association (ASMINDO), the food and beverage industry association (GAPMMI) and the manager's association (AMA); and, as in the ELECTRONICS case, by, when possible, interviewing more than once.

4.2.3 Data analysis

The analysis of the qualitative data follows Yin's suggestion first to select one of three general strategies available: relying on theoretical propositions, using a rival explanation, developing case description, and then to follow the technical details of the chosen strategy for analysis (Yin, 2003, pp.111-137). This thesis adopts the most preferred strategy, which is to follow theoretical propositions (Yin, 2003), in particular, those developed in chapter 3. Yin (2002) argues that following a theoretical proposition allows a qualitative study to develop a theory and facilitates better management of the data collection process because it permits the researcher to focus on key data.

The analysis of the data for the qualitative portion of this study was used to establish the key dimensions of absorptive capacity amongst Indonesian firms in the context of entering international markets and also to guide the development of measures for the subsequent quantitative study. The analysis was conducted at two levels, within- and cross-case.

Within-case analysis was conducted to obtain an understanding of the data, and to guide the preliminary generation and refinement of the theoretical framework (Eisenhardt, 1989). This aspect of the analysis ensures that a study includes relevant cases (Miles & Huberman, 1994). The within-case analysis involved the development of a summary of the unique characteristics of each case, with each case considered separately. Information gathered from the company interview, combined with data collected from archival records and additional sources, was written up as a case report for each of the five companies. Each case report was then sent to the respondent for review and validation, and to ensure construct validity (Yin, 2003, p.34) .

During the within-case analysis, an iterative process was conducted to define and operationalise key variables to be used in the quantitative portion of the study. The approach used was to identify key words in the responses to specific open ended questions from the interviews. Questions of particular interest for this exercise related to the reasons for the firm's decision to internationalise and to attributes of the process of developing knowledge about how to enter international markets. In addition to guiding the operationalisation of measures for the survey instrument, the lists of key words were used as the basis of the cross-case analysis.

Following the within-case analysis, cross-case analysis was conducted, to better understand the applicability of the theoretical framework. Specifically, cross-case analysis pushes the researcher to understand the phenomenon from varying perspectives. Cases with similar characteristics, as indicated by the key words, were grouped and compared, following Ghauri (2004) and Pauwels and Matthyssens (2004), in order to identify specific and common patterns related to the firms' learning about internationalisation.

Through these two levels of analysis, this study attempted to address issues associated with repeatability of the findings on a larger scale and the relevance of the theory (Eisenhardt, 1989), which are expected to enhance the ensuing

quantitative portion of the study. The major findings from the qualitative portion of the research informed the quantitative component (Creswell & Clark, 2007), particularly with respect to the development of measures and variables. In addition, the interviews and the ensuing analysis provided extensive input into the data collection, providing guidance with respect to wording for the questions that needed to be clear and ethically acceptable.

While this qualitative component of the study was exploratory, and not intended to be used in the testing of theory, the qualitative findings provided initial evidence as to the applicability of the logic behind the theoretical development described in chapter 3. The contributions of qualitative findings are discussed further in chapter 7, where the results from both qualitative and quantitative components are combined.

4.3 QUANTITATIVE STUDY

The quantitative portion of the study was undertaken in order to test the hypotheses, based on a larger number of companies. This section describes the sample selection process for the quantitative component, along with the development of measures for the dependent, independent and control variables and the data analysis and modelling used to test the hypotheses. The measures used were drawn from previous studies and from findings from the qualitative part of this research.

4.3.1 Sample

Firms enter international markets for various reasons: resource seeking, asset seeking, market seeking, and efficiency seeking (Axinn & Matthyssens, 2002). This study focuses on how Indonesian firms learn to enter international markets. The development of the sampling frame to explore the questions in this study followed the logic of the internationalisation process model, which is a market seeking model that emphasises exporting as the most widely

adopted approach to enter international markets (Johanson & Vahlne, 1990, p.13).

More specifically, this study aims to understand how Indonesian manufacturing firms involved in exporting absorb knowledge and use their knowledge to approach international markets. Previous absorptive capacity studies have focused on firms from high-tech industries (Cohen & Levinthal, 1990, Lane & Lubatkin, 1998, Soosay & Hyland, 2008). However, this study could not focus solely on firms from high-tech industries because of its objective and the limited number of Indonesian exporting firms. In Indonesia, most export oriented firms are in the development stage, and the number of firms operating in high-tech industries is limited.

This study included firms from different industries with the selection of industry based the institutional pressure that different sectors might be subject to. Greening and Gray (1994) argue that some industries may be subject to higher institutional pressure than others, which may, in turn, influence the responses of individual firms. Two broad types of industry were selected for the study: technology oriented (e.g., high-tech) and non technology oriented (e.g., low-tech).

The development of Indonesia's trade and investment policies was used to guide the selection of sectors. Indonesian inward direct investment policy launched in 1970s called for technology oriented and labour intensive firms to operate in Indonesia. This policy was followed by an export oriented policy, launched in 1980s. As a consequence, several sectors shifted toward exporting, including both firms from high- and low-tech industries, and both joint ventures and purely local firms in the electronics, metal and machinery, food and beverage, textile and furniture sectors. These sectors, the top sectors for Indonesian exporting, were used for creating the sampling frame of this study, as they represent both high- and low-tech oriented industries.

This quantitative study was a snapshot, or cross-sectional, approach to understanding how Indonesian firms learn about international markets from both their own (first-hand) experience and the (second-hand) experience of others. Only firms that had actively exported in the previous two years were selected for this study, on the grounds that the recency of their experience should allow them to demonstrate more effectively how their experience and the experience of others related to their international market development. Potential participants were identified through secondary sources, such as the directory of Indonesian export manufacturers, the Indonesian Chamber of Commerce (Kamar Dagang dan Industri, KADIN), exporters' associations (Gabungan Pengusaha Ekspor Indonesia, GPEI), the food and beverage association (Asosiasi Makanan dan Minuman Indonesia, Amindo), the wood processing exporters' association, the electronics industry association, and a management association (AMA). These associations record the company name, CEO name, the address and contact details. Crosschecking the information through the internet and through telephone directories was also undertaken, to ensure the availability of valid addresses, as the updating of these databases is conducted on *ad hoc* bases, and then only voluntarily. Anonymous questionnaires with cover letters and pre-paid envelopes were sent to all potential respondents listed in these databases. See appendix B. The initial sampling frame size of this study was 1575 firms (see table 4.1).

Table 4.1 Potential respondents

Sector	Population size
Electronics	84 companies (5.33% of total)
Automotive	19 companies (1.21% of total)
Metal and machinery	158 companies (10.03% of total)
Textile	496 companies (31.49% of total)
Food and beverages	235 companies (14.92% of total)
Furniture and wood working	583 companies (37.02% of total)
Total	1575 companies

Firms from high-tech industries (electronics, automotive, metal and machinery) accounted for 16.6% of total sampling frame, while firms from low-tech industries (textile, food and beverages, furniture and wood working)

accounted for 83.4%. It was not possible to add more potential respondents from high-tech oriented firms to the sampling frame, as all listed firms in the database were included. Therefore, an effort was made to compensate for the lower proportion of high-tech firms in the sampling frame by involving more technology-oriented firms in the second stage of the qualitative data collection, which was conducted before the launching of the questionnaire.

In order to generate a high response rate, specifically from firms in the high-tech oriented segment, the personal approach was used at both the industry and firm level. First, associations were approached in order to inform them of the benefit of supporting the study, on the basis that it would add to the associations' understanding about how firms in their specific industries learn about international markets. Associations were offered a summary of the final research results. The association chairs facilitated this study's efforts to contact potential respondents. The researcher was, for example, allowed to discuss the project directly with members at an exporter association's monthly meeting and distributed questionnaires at the meeting.

Second, potential individual respondents suggested by the industry association were contacted, as well as companies listed in the available databases, but without CEO's names, on the database for which CEOs' names were not listed. Phone calls and emailing were also conducted to confirm the postal addresses and CEOs of companies, and so to lessen the risk of returned or unidentified mail. This communication with companies stressed that participation was voluntarily, that the survey was intended for purely academic purposes and that the responses would be anonymous and treated in a confidential manner. The phone calls also offered the opportunity to ask whether potential respondents would prefer to receive questionnaires by email, fax or postal delivery.

Questionnaires were mailed and/or faxed to a total of 1575 companies; during this study, 70 communications were returned due to the closing down of firms,

eight due to the firms' no longer exporting. In addition, 216 letters were marked as having invalid addresses and 17 firms refused to or did not fill in the questionnaire. This effectively left the study with 1281 target respondents.

The questionnaire was developed by referring to previous literature and including the inputs from the qualitative portion of the study. The final survey instrument was developed first in English and then translated into Bahasa. The questionnaire was back translated from Bahasa to English, to maintain consistent meaning, by a colleague with bilingual Bahasa and English skills, who is also competent in business research (Douglas & Craig, 2007). The English version was translated into Bahasa Indonesia, and then a colleague translated the Indonesian version into English. An iterative process was conducted until both versions of the survey instrument had similar meanings.

The Bahasa version was distributed to potential participants with a cover letter indicating the objective of the study, confirming the confidentiality of responses and including an offer to supply the English version of the questionnaire if required. The intention was to obtain responses from the key decision makers with respect to the international activities of the firm. Therefore, the cover letter was addressed to the CEO or exporting director of being telephoned and/emailed. Prior to sending out the survey instrument, a pre-test was conducted on a panel of export managers and academics in the managers' association. Minor changes were made, mainly introducing terms more familiar to Indonesian manufacturing exporters, without changing the meaning.

In order to improve the response rate, reminder letters were sent (see appendix C). The first reminder letter was sent a month after the initial mailing of the questionnaires. It increased the response from 28 to 52. The second reminder letter was sent six weeks after the first one, along with emails. In the end, 103 usable responses were received, a usable response rate of 8.0%.

An acknowledged challenge associated with undertaking a study in an emerging economy is the commonly-observed low response rate. However, it should be noted that the sampling frame for this study may have over-estimated the population by a substantial amount. The chair of chamber of commerce acknowledged that the database employed to identify potential respondents for this study used has considerable inaccuracy. The member companies may not update their data, and the association itself does not conduct regular updating. The updating of the data is done on a voluntarily basis. In addition, this study used various sources to identify exporters, and there is the potential for exporters and associations to have record firms' contact detail differently.

These 103 respondents consisted of 21 (20.4%) food and beverages export manufacturers, 40 (38.8%) wood products export manufacturers, 22 (21.4%) textile and apparel manufacturers, five (4.8%) electronics export manufacturers, and 14 (13.6%) metal export manufacturers. One respondent did not indicate the industry in which it operated. The industry representation in the sample is broadly similar to that of the sampling frame, which was a census of the available companies.

Testing of variable means was conducted using analysis of variance (ANOVA), to assess potential response bias between the first, second and third rounds of data collection (corresponding to the initial distribution and the two reminders). The results show no significant differences in the means across these groups of the sample.

The persons responding to this study were knowledgeable and highly placed with respect to the international strategic decision making in their organisations: 43 owners/CEOs (41.7%), 11 (10.7%) directors, 30 (29.1%) marketing/export/general managers. In addition, there were 15 (14.6%) 'others' such as export-import supervisors, finance, accounting and human

resources managers, and only four respondents (3.9%) who did not indicate their positions.

Descriptive summaries of the responses for each of the variables of are presented in chapter 6.

4.3.2 Measures

The survey instrument used previously validated measures, where such were available, to enhance validity. When previously validated measures were not available, previous approaches, suggestions and the findings from the qualitative portion of the research guided the development of new measures. For example, most studies on absorptive capacity are of technology oriented firms. In contrast, this study includes both firms from high- and low-tech oriented industries. On the one hand, including firms from different backgrounds should provide a more general understanding of absorptive capacity and its relationship, regardless of the industry in which the firm operates. On the other hand, the availability of previously-published measurements of absorptive capacity from low-tech oriented industries is limited. Therefore, this study employed a combination of existing measures from previous studies related to absorptive capacity in the context of high-tech oriented firms, along with newly developed measures based on the international business literature, considering input from the qualitative data collection. In particular, the measures used for absorptive capacity development from second-hand experience relied both on the literature and on the interviews.

Absorptive Capacity (AC)

Absorptive capacity is central to this study. As discussed in chapter 2, this study is based on the premise that learning encompasses both processes and outcomes (Dodgson, 1993), and the term that is widely used to incorporate learning as both a process of knowledge acquisition and as the application of

that knowledge is ‘absorptive capacity’ (Easterby-Smith, Graca, Antonacopoulou, & Ferdinand, 2008, Nooteboom, 2000).

In the field of organisational studies, absorptive capacity is most often measured by patents or R&D related activities (e.g., (Cohen & Levinthal, 1990, Fosfuri & Tribo, 2008, Zahra & Hayton, 2008). In the field of international business, the measures of absorptive capacity in the existing literature vary and are context specific. For example Eriksson and Chetty (2003), who studied the effect of absorptive capacity on foreign market knowledge, explored absorptive capacity based on the type of relationship and measured both dyadic absorptive capacity and customer networks’ absorptive capacity. Lane and Lubatkin (1998), who studied relative absorptive capacity and interorganisational learning, measured absorptive capacity as the firm’s average spending on research and development (R&D) activities, on the basis that this measure reflects the difference of commitment to developing knowledge between sourcing firms and targeting firms.

The present study focuses on the firm’s absorptive capacity in the context of international entry. Absorptive capacity is operationalised based on measures of international learning (Yeoh, 2004), and developed from previous studies on potential and realised capacity (McKelvie, Wiklund, Short, Lumpkin, & Katz, 2007, Zahra & George, 2002). Potential capacity reflects knowledge that has been absorbed, while realised capacity indicates the exploitation of knowledge as shown by the firm’s actions.

Both the international learning and absorptive capacity literatures indicate that international absorptive capacity has market and technology dimensions (McKelvie, Wiklund, Short, Lumpkin, & Katz, 2007, Yeoh, 2004). However, absorptive capacity may also be a combination of several different competencies and capabilities (Sofka, 2008). Indeed, the focus of this study, international entry, may involve these combinations of capabilities. Therefore,

this study adds a new dimension for absorptive capacity – international business strategy – to those recognised in the existing literature.

The measure of the international business strategy dimension is adopted from studies pertaining to international business experiential knowledge in internationalisation (Eriksson, Johanson, Majkgard, & Sharma, 1997), social integration for knowledge assimilation (McKelvie, Wiklund, Short, Lumpkin, & Katz, 2007) and social dimensions of international learning (Yeoh, 2004). These dimensions were selected because they are expected to reflect the influence of first-hand and second-hand experience on the firm's development of absorptive capacity. Eleven questionnaire items were developed to capture the firm's absorptive capacity with respect to the three dimensions: market, technology and international business strategy (see question 4.1 in the questionnaire, attached in appendix B).

Four questionnaire items were used to capture market-related absorptive capacity. Respondents were asked about the extent to which, during the firm's international operations, the company had gained new knowledge or new skills with respect to its ability to identify foreign buyers, to adapt products to existing foreign markets, to adapt products to new foreign markets and to target multiple market segments in a foreign country. These questions were adopted from Yeoh (2004).

With regard to the technology absorptive capacity, four questions were asked, relating to the extent to which the company had gained new knowledge or new skills with respect to the ability to develop new product designs for specific foreign markets, to improve manufacturing processes, to identify foreign suppliers to support company international operations and to manage international operations (McKelvie, Wiklund, Short, Lumpkin, & Katz, 2007, Yeoh, 2004, Zahra, Ireland, & Hitt, 2000).

Three questions were asked to measure the international business strategy dimension, relating to the extent to which the company had gained new knowledge or new skills with respect to penetrating new foreign markets, managing foreign partners and developing business strategy (Eriksson, Johanson, Majkgard, & Sharma, 1997, Yeoh, 2004).

Given the large number of items, factor analysis was useful for understanding the underlying structure of the data (e.g., Hair, Anderson, Tatham and Black, (1998). Factor analysis can be used for either exploratory or explanatory purposes. The exploratory approach was employed in this study, to assess whether the items combined into one or more constructs. Exploratory factor analysis revealed that the eleven items pertaining to absorptive capacity loaded onto four dimensions of absorptive capacity, with 71.9% of the variance explained. These four dimensions differ from the predicted three dimensions, because the expected single technological dimension was split into two factors: operational technology and strategic technology. The other items loaded into two factors, the market and international business strategy factors as predicted by the existing literature on the dimensions of absorptive capacity.

The eleven items were each measured using seven-point Likert scales. In order to combine items into factors, either factor scores or mean responses (summed scores) of each respondent's responses on each of the items in an identified factor may be employed (Zikmund, 1997). To generate factors this study used the average responses approach, which is common in the international business and management literatures. Internal reliability for each factor was assessed using Cronbach's alpha, which reflects the average inter-item correlation.

To refine the measures, the initial factor analysis was followed by four additional factor analyses. The second round of factor analysis was conducted to obtain a single measure for each dimension of absorptive capacity.

First, the four items of the market dimension were analysed: the ability of the company to adapt products to existing foreign markets, to new markets, to target multiple market segments and to identify foreign buyers. Using factor analysis (varimax rotation), these items loaded onto one factor with 69.32% of the variance explained. The Cronbach's alpha score of this factor was .85, which is well above the 0.70 value widely viewed as indicating acceptable reliability (Field, 2005, Netemeyer, Bearden, & Sharma, 2003, p.58). As the items were all measured using seven-point Likert scales, a single value for the market dimension of AC was obtained by averaging the responses of these four items.

Second, four items of the technological dimension were analysed: the ability of the company to develop new product designs for specific foreign markets, to improve its manufacturing process, to identify foreign suppliers and to managing international operations. These items loaded into two factors with 70.58% variance explained. The three items related to developing new product designs, identifying foreign suppliers and managing international operations loaded into one factor, while improving manufacturing operations loaded into another factor. As a result, two factors were created: operational technology and strategic technology. A single value of the operational technology factor was obtained by averaging the responses for the capacity to develop new product designs, to identify foreign suppliers and to manage international operations. The Cronbach's alpha of these items was 0.64, which, at greater than 0.60, is considered reliable for an exploratory study (Murphy & Davidshofer, 2001, Nunnally, 1967, p.211). The strategic technology 'factor' contains one measure and the original item value is used.

Third, three items: absorptive capacity to penetrate new foreign market, to manage foreign partners and to develop business strategy was analysed. They are loaded into one factor with 61.2% of the variance explained. The Cronbach's alpha of these items was 0.66, taken as acceptable reliability for

this exploratory study. A single value of the international business strategy was obtained by averaging the response for these three items.

Table 4.2 summarises the operationalisation of absorptive capacity, based on this sample of Indonesian firms. The rows relate to items and the columns to dimensions or factors. The last two rows indicate the reliability score of each factor, measured as Cronbach's alpha, and the percentage of variance explained by each factor.

Table 4.2 Measures of absorptive capacity and its dimensions

Items	Absorptive capacity dimensions			
	Market	Operational Technology	Strategic Technology	International Business Strategy
Adapting products to existing foreign markets (a)	✓			
Adapting products to new foreign markets (b)	✓			
Targeting multiple market segments in a foreign country (c)	✓			
Identifying foreign buyers (g)	✓			
Developing new product designs for specific foreign markets (d)		✓		
Improving manufacturing processes (e)			✓	
Identifying foreign suppliers (h)		✓		
Managing international operations (j)		✓		
Penetrating new foreign markets (f)				✓
Managing foreign partners (i)				✓
Developing business strategy (k)				✓
Cronbach's alpha	0.85	0.64	Single item	0.66
Variance explained by the factor (%)	69.32	58.19	Single item	61.22

First-hand learning – international experience

This study examines the role of first- and second-hand experience in the development of absorptive capacity. There are two groups of independent variables: first-hand experience and second-hand experience. This subsection explores the measures of first-hand learning.

First-hand experience is indicated by the firm's own international experience. Luo and Peng (1999) argue that experience has two dimensions: intensity and diversity. Intensity pertains to the length of time that a firm has been operating in international markets and the ratio of foreign sales to total sales. Diversity reflects the psychic distances between the firm's home country and the countries it has entered. Studies have also used the number of countries entered to reflect internationalisation (Pla-Barber & Escribá-Esteve, 2006) and learning processes (Zahra, Ireland, & Hitt, 2000). This study has adopted these approaches, and measures internationalisation in terms of the number of countries entered (Pla-Barber & Escribá-Esteve, 2006, Zahra, Ireland, & Hitt, 2000), the psychic distance between Indonesia and the countries entered (Luo & Peng, 1999, Zahra, Ireland, & Hitt, 2000), the ratio of foreign sales to total sales (Luo & Peng, 1999, Pla-Barber & Escribá-Esteve, 2006), and the length of international experience (Brouthers, O'Donnell, & Hadjimarcou, 2005, Luo & Peng, 1999).

Psychic distance is operationalised by grouping countries according to cultural similarity, as suggested by the Globe study (e.g., (Ashkanasy, Trevor-Roberts, & Earnshaw, 2002, Gupta, Hanges, & Dorfman, 2002, Gupta, Surie, Javidan, & Chhokar, 2002, Kabasakal & Bodur, 2002). Question 3.4 of appendix B presents the choices of psychically close clusters of countries. The number of countries entered is counted from the list of countries chosen by the respondents in question 3.4 of the survey instrument.

The ratio of foreign sales to total sales (see question 3.2. in appendix B) is provided as a percentage. In order to measure the length of international

experience, respondents were asked to provide the first year their company was involved in exporting. The length of export experience was calculated by deducting the year of first export from 2008, which was the year of the data collection for this study (see question 3.1 in appendix B).

Of course, firms may choose to put their internationalisation activities on hold, as Johanson and Wiedersheim-Paul (1975) note, commenting that some firms enter international markets through non-regular export activity. Question 3.4 asks respondents whether they experienced a stop in their exporting to each particular country. This question was designed to enable a detailed calculation of the length of experience, incorporating data pertaining to pauses in export activity. Analysis of the collected data revealed that most respondents reported exporting to more than one country, and when export activity to one country ceased, exporting to another country or countries started or continued. Thus, the length of exporting experience was calculated as noted above, without accounting for stoppages.

It is important to investigate the relationships among these four measures of first-hand experience. The four items were measured in different units. The number of cultural groups entered and number of countries entered was measured using integers that can be treated as effectively continuous, the ratio of foreign sales is a percentage and the length of export is also measured using integers. The correlation matrix for these four items is shown in table 4.3:

Table 4.3 Pearson correlation matrix of the international experience measures

	Length of export	Export sales	Countries entered	Clusters entered
Length of export	1			
Export sales	0.073	1		
Countries entered	0.168	0.169	1	
Psychically close clusters entered	0.221*	0.103	0.873**	1

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

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

Initially, factor analysis was considered as a method to obtain a single measure for own international experience. However, to conduct factor analysis, variables need to be correlated (Field, 2005). Table 4.3 indicates only two sample correlations that are significantly different to zero: number of countries entered and clusters of countries entered, and clusters of countries entered and length of export. Because the variables for countries entered and clusters entered have a highly significant correlation ($p < 0.01$), these two items were considered as a combined measure of country experience, while export sales and the length of export could not be combined and were considered as independent measures of export experience and length of international experience, respectively.

Factor analysis was conducted on the number of countries entered and psychically close- clustered countries variables. The result shows that these items can be combined into a single measure of country experience. The variance explained by the country experience factor (93.47%) and Cronbach's alpha (0.65) were satisfactory.

In summary, first-hand international experience, a key explanatory concept for this study, was operationalised using three variables: country experience, export sales experience and length of export. The measure of country experience was obtained from the factor analysis results combining the number of countries entered and the value of psychically closed countries. The measures of export sales experience and the length of export were obtained from the original ordinal responses from respondents.

Second-hand learning

As discussed in chapter 2 (the literature review) this study set out to examine how absorptive capacity about international markets is developed from the experiences of others with whom the focal firm has contact, in buyer-supplier and/or non buyer-supplier relationships. In order to measure the absorptive

capacity development from the second-hand the sources of second-hand learning need to be identified.

Sources of second-hand learning

Information regarding actors that contribute to firms' absorptive capacity development from the second-hand experience was obtained from previous studies (Brewer, 2001, Fosfuri & Tribo, 2008, Soosay & Hyland, 2008) as well as the findings from the quantitative portion of the study.

Fosfuri and Tribo (2008) indicate that firms may use external sources to learn about international markets. They may be suppliers and clients, which this study considers as the buyer-supplier relationship, as well as competitors, universities, research institutes, conferences, and exhibitions. Brewer (2001) adds that the government may also facilitate the firm's learning from second-hand experience. Interactions with these actors are referred to non buyer-supplier relationships in this study.

The quantitative portion of the study found that Indonesian firms distinguished between second-hand experience gleaned from domestic and foreign partners, such as domestic competitors, foreign competitors, and multinational enterprises (MNEs) that operate in the domestic Indonesian market. In addition, interviewees reported that second-hand experience was also accessed by attending local conferences or seminars, local and international exhibitions, and published standards.

Questions 4.5 - 4.17 from the survey instrument (see appendix B) were used to gather information about firms' learning from second-hand experience. Questions were developed by adopting phrasing from inter-organisational learning (Lane, Salk, & Lyles, 2001) and absorptive capacity (Fosfuri & Tribo, 2008) studies. Respondents were asked to what extent their absorptive capacity, as indicated in question 4.1, was contributed to by their main buyer-supplier and non buyer-supplier relationships.

Measures of absorptive capacity development from buyers and suppliers

Two questions in the survey instrument were intended to measure how firms absorb knowledge from buyer-supplier relationships. Respondents were asked about the extent to which their main buyers and suppliers contributed to the firm's capacity to absorb knowledge in each of the four dimensions of absorptive capacity (see question 4.5. and question 4.8 in the appendix B), using seven-point Likert scales. The main buyers are identified as the buyers who contribute most to the company's sales, while the main suppliers are those who contribute most to the company's operations.

Factor analysis was then conducted for the each of four dimensions of absorptive capacity identified earlier. Both the variance explained and the Cronbach's alpha scores of each dimension of absorptive capacity (AC) gained from buyers and suppliers were statistically acceptable, as they were above 50% and 0.70, respectively. Table 4.4 summarises the results of the factor and reliability analyses on each dimension of AC gained from buyers and suppliers.

Table 4.4 Measures of learning from buyers and suppliers

The contribution of buyer-suppliers in the development of AC	Extent to which these actors contributed to the company's development of absorptive capacity	
	Main buyer	Main supplier
Market AC (4 items)	Variance explained = 73.8 % Cronbach's alpha = 0.88	Variance explained = 85.9 % Cronbach's alpha = 0.94
Operational technology AC (3 items)	Variance explained = 63.5 % Cronbach's alpha = 0.71	Variance explained = 69.0 % Cronbach's alpha = 0.76
Strategic technology AC (Single item)	N/A	N/A
International business strategy AC (3 items)	Variance explained = 71.7 % Cronbach's alpha = 0.80	Variance explained = 89.1 % Cronbach's alpha = 0.94

The measure of the contribution of buyer-supplier relationships to each of the four dimensions of absorptive capacity development was calculated by averaging responses from the applicable items.

Absorptive capacity development from non buyer-suppliers

Respondents were also asked about the extent to which their relationships with non buyer-suppliers – including domestic competitors, foreign competitors, MNEs operating in the Indonesian market, universities and research institutes, government and public institutes, attending conferences or seminars, attending local and international exhibitions, and accessing published standards – contribute to their firm's capacity to absorb knowledge using seven-point Likert scales (see questions 4.9 to 4.17 in appendix B).

The items covered the four dimensions of absorptive capacity: market, operational technology (Opr tech), strategic technology (Strat tech) and international business strategy (IB strategy). Factor analysis on the four dimensions of absorptive capacity development was conducted for each potential source (e.g., competitors, foreign MNEs in Indonesia, universities, etc.).

The resultant multi-item factors all demonstrated acceptable variance explained (above 50%) and Cronbach's alpha scores (at least 0.70) (Murphy & Davidshofer, 2001, Nunnally, 1967, p.211). For each of the factors, measures were obtained by averaging the applicable responses, as they were all measured by the seven-point Likert scale. Table 4.5 summarises the factor and reliability analysis results.

Table 4.5 Factor and reliability analysis on measures of learning from non buyer-suppliers

AC dimension		Non buyer-supplier contributors								
		Dom Com	For Com	FMNE	Uni	Gov	Con	LE	FE	Std
Market AC (4 items)	Variance explained (%)	82.9	85.2	91.6	91.4	87.1	92.9	90.7	94.6	89.9
	Alpha	0.93	0.94	0.97	0.97	0.95	0.97	0.97	0.98	0.96
Opr tech AC (3 items)	Variance explained (%)	74.6	82.2	88.7	92.4	88.4	85.2	83.	78.8	88.0
	Alpha	0.83	0.89	0.94	0.96	0.93	0.91	0.90	0.86	0.93
Strat tech AC (Single item)	Variance explained (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Alpha	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
IB strategy AC (3 items)	Variance explained (%)	83.5	83.7	89.4	74.1	83.6	87.3	88.6	84.9	89.8
	Alpha	0.90	0.90	0.94	0.82	0.90	0.93	0.94	0.91	0.94

Dom Com = domestic competitor, For Com = foreign competitor, FMNE = foreign multinationals in the domestic

market, Uni = university, Gov = government, Con = conferences, LE = Local exhibitions, FE = Foreign exhibitions,

Std = published standards

Speed of learning

Hypothesis 6a predicted that less internationally experienced firms would absorb knowledge related to internationalisation faster than more internationally experienced firms. Some firms entering international markets have already been operating in the domestic market. Their existing knowledge, based on domestic operations, may not be relevant to international markets. In this case, the firms need to unlearn, which takes time (Oviatt & McDougall, 2005, Zander & Kogut, 1995).

In order to test this hypothesis, the speed of learning was measured. Respondents were asked to indicate the time (in years), following international entry, that it took to obtain the firm's current level of absorptive capacity from exporting (Questions 4.1 measure the firms' absorptive capacity and questions

4.2 asked the time required to obtain the absorptive capacity as is indicated in the question 4.1). Questions 4.1 and 4.2 can be seen in appendix B. As absorptive capacity has four dimensions, the speed of learning was also categorised following these four dimensions. Table 4.6 summarises the factor and reliability analyses for the learning speed measures.

Table 4.6 Factor and reliability analyses for learning speed

	Variance explained (%) by each factor of the speed of learning	Reliability scores of items within each factor of the speed of learning
Market AC (4 items)	61.25%	Cronbach's alpha = 0.79
Operational technology AC (3 items)	66.79 %	Cronbach's alpha = 0.75
Strategic technology AC (Single item)	N/A	N/A
International business strategy AC (3 items)	63.25 %	Cronbach's alpha = 0.71

As can be seen in table 4.6, both the variance explained (above 50%) and Cronbach's alpha scores (above 0.70) were at acceptable levels for the three resulting factors pertaining to absorptive capacity dimensions. The speed of learning scores were computed by averaging the applicable item responses, as they were all measured using seven-point Likert scales.

Technology

Powell (1998) maintains that technology is the driver behind organisational learning. A firm's knowledge can become obsolete more quickly in high- tech industries than in ones characterised by lower technology levels. As a consequence, to be able to compete in the market, firms need to regularly launch innovative ideas. Hypothesis 7 predicted that the learning of firms operating in high- and low-tech oriented industries would differ, on the basis that the nature of an industry might push the firm to learn, and thus that firms in high-tech oriented industries might learn more than firms in low-tech industries. In order to test this hypothesis, this study followed Worz (2004) who categorises technology based on high- and low-skill involvement. The

high-skill, high-tech industries are electronics, automotive, metal and machinery industries, while low-skill, low-tech industries are food and beverages, wood and textile processing industries. Question 2.1 of the questionnaire, which can be seen in appendix B, asked respondents to indicate the primary industry in which they operated. A dummy variable was created to indicate whether firms operated in high- and low-tech oriented industries.

Mimetic behaviour

The institutional perspective adopted for this study, stresses that firms tend to mimic others to maintain their own survival (DiMaggio & Powell, 1983). In the context of international business, Huang and Sternquist (2007) claim that firms follow others with respect to three aspects of internationalisation: country selection, entry mode and time to entry.

This mimetic behaviour is viewed as the result of pressure from internal and external institutional environments (Davis, Desai, & Francis, 2000). The internal institutional environment refers to approaches taken by other firms with links to the focal firm. For example, the qualitative portions of this study found that family businesses follow the approaches of sister companies. The external institutional environment refers to approaches taken by organisations with no clear links to the firm. For example, the interviews revealed that firms mimic foreign competitors and foreign MNEs in Indonesia, supporting the assertions of Henisz and Delios (2001) and Brouthers, O'Donnell and Hadjimarcou (2005).

In this study, information was sought regarding both the referral (the actor to whom the firm refers) and the reference of mimetic actions (the behaviour that the firm follows). Most previous studies have measured mimetic behaviour with regard to learning and action using the population level of analysis (Guler, Guillen, & Macpherson, 2002, Haveman, 1993, Westphal, Seidel, & Stewart, 2001). This study, however, developed measures of mimetic behaviour by following the procedure of Cheng and Yu (2008), who studied

institutional pressure and internationalisation of Taiwanese SMEs, and Brouthers, O'Donnell and Hadjimarcou (2005) who studied the adoption of product strategies by export oriented emerging market firms. This approach involves conducting interviews to obtain understanding about potential measures of institutional pressure, and then using the findings to develop operationalisations for the survey. The interviews undertaken for the present study similarly included questions about how the internationalisation decision was taken, and who influenced the decision; see sections F and G of the interview protocol shown in appendix A. Combining the open-ended responses with the theoretical framework led to the development of questions 4.25 to 4.27 of the survey instrument (shown in appendix B), which asked respondents about the extent to which the company followed its domestic competitors, foreign competitors and foreign MNEs in Indonesia when making decisions about export markets, modes of entry and the timing for entering international markets. Seven-point Likert scales were used, where 1 indicates 'not at all' and 7 indicates 'a great deal'.

Table 4.7 summarises the measures associated with mimetic behaviour. The reference of mimicking others, which is the approach toward international entry, has three dimensions: market and country selection, mode of entry and time of entry. The referral to be followed with respect to entering international markets also has three dimensions: domestic competitors, foreign competitors and FMNEs in the domestic market. Thus, in total, mimetic behaviour is measured using six measures.

Table 4.7 Reference and referral measures of mimetic behaviour

		Referral			Variance explained (%)	Cronbach's alpha
		Dom comp	For comp	FMNEs in Ind		
Reference	Export markets and countries	✓	✓	✓	71.25%	0.80
	Modes of entry	✓	✓	✓	73.16%	0.82
	Time of entry	✓	✓	✓	74.00%	0.82
Variance explained (%)		90.20%	93.01%	93.10%		
Cronbach's alpha		0.95	0.96	0.96		

Factor and reliability analyses were conducted for both the referral and the reference measures. In order to measure the reference related to mimicking export markets and countries, factor and reliability analyses were conducted on the responses to questions regarding the extent to which respondents followed domestic competitors, foreign competitors and FMNEs in the domestic Indonesian market with regard to decisions related to export markets and countries. This was measured using three items (the first item in questions 4.25 – 4.27). Factor analysis resulted in a single factor explaining 71.25% of the variance and with a Cronbach's alpha of 0.80. A similar process was followed for the other measures. Table 4.7 indicates that, for each measure related to mimetic behaviour, factor analysis results in a single factor. These measures were all satisfactory with regard to their variance explained and reliability scores.

Control variables

This study employs four control variables: size of the firm, learning culture, organisational structure and competitiveness of the firm. These are discussed in turn.

Size of the firm

The size of a firm, measured here by the number of employees in both home and host countries, is an important control variable in the international business literature where there are differing standpoints as to the role of the size of the firm. One line of thought argues that small firms are more flexible than large firms. The structure of small firms should allow for better absorption of knowledge at the individual level and dissemination of knowledge at the organisational level, enhancing the potential for organisational adaptation, as was found in the studies of firms that enter international markets from inception (Moen & Servais, 2002, Saarenketo, Puumalainen, Kuivalainen, & Kylaheiko, 2004). The other line of thought claims that large firms have substantial resources to support the firm's strategy (Greening & Gray, 1994). This study controlled for the firm's size via question 2.9, which asked respondents to indicate the number of employees in

their companies, in Indonesia and abroad. Most respondents (approximately 85%), however, failed to answer the question regarding the number of employees abroad. Therefore, the number of employees in Indonesia is used as a control variable for the study.

The initial intent was to focus on medium and large firms, as they are the main manufacturing exporters in Indonesia. The actual sample consists of firms of various sizes: from small (6 employees) to very large (30 000 employees). Not surprisingly, the distribution of this variable is quite skewed. Therefore, the natural logarithm transformation was employed to improve the variable's utility for regression modelling.

Learning culture

The development of knowledge within an organisation is the product of its learning orientation, which is anchored in its organisational culture, which in turn may reflect the influence of its manager's experience. The organisational culture frames the way an organisation behaves (Francesco & Gold, 1998), and generally consists of unwritten values, meanings, guidelines and symbols that provide a broadly accepted guide for how to act within the organisation (Elkin & Inkson, 2000). Clearly, organisational learning culture is related to a firm's absorptive capacity.

This study operationalises organisational learning culture following the approach of Lee and Tsai (2005). In the survey instrument, respondents were asked to what extent their company emphasised continuous learning and improvement, enhanced the skills and capabilities of employees, created a participation-oriented organisation and management, and enhanced coordination and communication between functions within a department (as shown in question 5.1; see appendix B).

The factor analysis indicated that these four items loaded onto a single factor with 71.4% of the variance explained. The Cronbach's alpha of this factor was

0.86, which indicated a reliable measure (Murphy & Davidshofer, 2001). In order to compute the factor, the item responses were averaged.

Organisational structure

Cohen and Levinthal (1990) write that the structure and communication system within an organisation, including its subunits – and also between an organisation and its environment – define how its absorptive capacity is developed. Previous studies have indicated that organisational structure determines how firms cope with the scale, speed and scope of their international activities (Ito & Rose, 2004). Structure determines how knowledge is transferred within and between organisations (Van den Bosch, Volberda, & De Boer, 1999). Davis, Desai and Francis (2000) argue that organisational structure directs the decision to enter international markets, and affects the development of the firm's absorptive capacity (Van den Bosch, Volberda, & De Boer, 1999). Davis, Desai and Francis (2000), who investigated the entry mode decision of strategic business units (SBUs), add that, when an SBU shares resources with others, its actions may no longer be independent, and so knowledge creation may be changed (either restricted or strengthened). This study controls for the potential influence of structure on the firm's development of absorptive capacity.

Following Van Den Bosch, Volberda and De Boer (1999), organisational structure was operationalised as functional, divisional and matrix in this study. Question 2.8 in the questionnaire was used to collect the information. Two dummy variables were then created, representing functional and matrix structures, the two organisational forms most adopted by the Indonesian manufacturing exporters in the sample.

Perceived competitiveness

Studies have found that perceived competitiveness is related to the firm's export decision (Albaum, Tse, Hozier, & Baker, 2003, Tesar & Moini, 1998). The perception covers competitiveness in regard to technology, price, distribution and market relative to the competitors.

In the survey instrument, question 4.21 asked respondents how they rated the company's competitiveness, in terms of technology advancement, product uniqueness, competitive pricing, dynamism of the sales force, efficiency of marketing techniques, efficiency of distribution and ability to manage across borders. Each question used a seven-point Likert scale, where 1 indicated 'far below the competition' and 7 'far ahead of the competition'. A factor analysis was conducted, and these seven items loaded onto a single competitiveness factor, with 58.9% of the variance explained. The Cronbach's alpha of these items was 0.88, suggesting strong reliability. The single measure for the factor was obtained by averaging respondents' scores across the seven items.

4.3.3 Data analysis

This subsection presents the methodology used to statistically test the hypotheses developed in the previous chapter. In addition to its two main questions as is indicated in chapters 2 and 3, this study has nine hypotheses.

Hypotheses 1-7 address how Indonesian firms absorb knowledge about entering international markets. Hypotheses 1-5 explore the relationships between experience, first- and second-hand experience, and the firm's absorptive capacity, while hypotheses 6 and 7 explore the learning characteristics of firms with different backgrounds, in particular the degrees of internationalisation of the firm and the technology orientation of the industry.

Hypotheses 8 and 9 address how Indonesian firms use knowledge to approach international markets. Hypothesis 8 explores the relationship between absorptive capacity and the referral for exporting, while hypothesis 9 explores the relationship between absorptive capacity and mimetic actions.

In order to test hypotheses 1-5 and 8-9, ordinary least squares (OLS) regression modelling was employed. Hypotheses 6 and 7 were assessed by comparing means using independent samples t tests.

Consistent with good practice when using OLS, several basic model assumptions were assessed, including homoscedasticity (constant variance), independence and normal distribution of the error terms, using residual analysis (e.g., Field, (2005). Multicollinearity, which is the result of strong linear relationships between two or more predictors in the regression model, was also considered. Pairwise correlations and variance inflation factors (VIFs) were examined, to assess the potential for multicollinearity among the explanatory variables. This study adopts the rule that VIF score must be lower than 3.0, to ensure that multicollinearity is not creating problems with model estimation and interpretation. In order to properly understand the explanatory power of independent variables with high collinearity, iterative regressions were conducted for affected models.

For each ordinary least squares (OLS) regression model, a residual analysis was performed to identify possible discrepancies between assumptions regarding the unobservable errors and the observed residuals from the model. Assessments involved searching for evidence of heteroscedasticity, non-normality and lack of independence among the error terms (Hair, Anderson, Tatham, & Black, 1998). This residual analysis was conducted by studying the histogram of the residuals and the plot of the residuals versus the predicted values of the dependent variable. Following this, model interpretation, including F values for the model and t values for coefficient estimates, were considered. All testing was undertaken using 90%, 95% and 99% confidence.

Table 4.8 Hypotheses, methods of analysis and related variables

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
HOW DO INDONESIAN FIRMS ABSORB KNOWLEDGE ABOUT ENTERING INTERNATIONAL MARKETS?				
The firm's own experience and absorptive capacity				
H1: International experience is positively related to absorptive capacity among Indonesian firms.	OLS regression for each dependent variable	Absorptive Capacity (AC), which is measured using four variables: - Market AC, - Opr tech AC, - Strat tech AC, - IB strategy AC.	Three variables, which consist of: International experience, which is measured using three variables: - country experience, - sales ratio, - length of exporting.	Five control variables, which consist of: Size of the firm as is measured by LnEmployee, Learning culture, Structure (0=matrix/divisional, 1=divisional), Perceived competitiveness, Technology, which is measured by a dummy variable 0 = low-tech oriented industry 1 = high-tech oriented industry
Buyer-supplier relationships and absorptive capacity				
H2: The extent of relationships with buyers and suppliers is positively related to the firm's absorptive capacity.	OLS regression for each dependent variable	As above	Two variables, which consist of: The extent of contribution of buyer-supplier relationships to the development of absorptive capacity: - the extent of contribution of buyers, - the extent of contribution of suppliers.	As above

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
Non buyer-supplier relationships and absorptive capacity				
H3: The extent of relationships with non buyers and suppliers is positively related to the firm's absorptive capacity.	OLS regression for each dependent variable	As above	<p>Nine variables, which consist of:</p> <p>The extent of contribution of non buyer-supplier relationships to the development of absorptive capacity:</p> <ul style="list-style-type: none"> - the extent of contribution of domestic competitors, - the extent of contribution of foreign competitors, - the extent of contribution of - FMNEs in the domestic market, - the extent of linking to universities, - the extent of contribution of governments, - the extent of contribution from attending conferences, - the extent of contribution from attending local exhibitions, - the extent of contribution from attending foreign exhibitions, - the extent of contribution from reading published standards. 	As above

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
Second-hand experience and absorptive capacity				
H4: Buyer-supplier relationships contribute more than non buyer-supplier relationships to the firm's absorptive capacity in respect to entering international markets.	OLS regression for each dependent variable	As above	<p>Eleven variables, in which:</p> <p>Two variables measure the extent of contribution of buyer-supplier relationships to the development of absorptive capacity. They are:</p> <ul style="list-style-type: none"> - the extent of contribution of buyers, - the extent of contribution of suppliers. <p>Nine variables measure the extent of contribution of non buyer-supplier relationships to the development of absorptive capacity. They are:</p> <ul style="list-style-type: none"> - the extent of contribution of domestic competitors, - the extent of contribution of foreign competitors, - the extent of contribution of - FMNEs in the domestic market, - the extent of linking to universities, - the extent of contribution of governments, - the extent of contribution from attending conferences, - the extent of contribution from attending local exhibitions, - the extent of contribution from attending foreign exhibitions, - the extent of contribution from reading published standards. 	As above

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
Experience and absorptive capacity				
H5: A firm's own experience provides a stronger contribution than second-hand experience, in the decision process about entering international markets	OLS regression for each dependent variable, comparing estimated coefficients associated with first-hand and second-hand experience	As above	<p>Fourteen variables, which consist of:</p> <p>Three variables that measure international experience:</p> <ul style="list-style-type: none"> - country experience, - sales ratio, - length of exporting <p>Two variables measure the extent of contribution of buyer-supplier relationships to the development of absorptive capacity. They are:</p> <ul style="list-style-type: none"> - the extent of contribution of buyers, - the extent of contribution of suppliers. <p>Nine variables measure the extent of contribution of non buyer-supplier relationships to the development of absorptive capacity. They are:</p> <ul style="list-style-type: none"> - the extent of contribution of domestic competitors, - the extent of contribution of foreign competitors, - the extent of contribution of - FMNEs in the domestic market, - the extent of linking to universities, - the extent of contribution of governments, - the extent of contribution from attending conferences, - the extent of contribution from attending local exhibitions, - the extent of contribution from attending foreign exhibitions, - the extent of contribution from reading published standards. 	As above

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
Experience and characteristics of learning				
H6: The development of absorptive capacity differs between firms with high and low levels of internationalisation				
H6a: Less internationally experienced firms absorb knowledge related to internationalisation faster than more internationally experienced firms.	Independent samples t testing, for two groups: less internationalised firms, more internationalised firms, on each measure of international experience: country experience, sales experience, length of international operations.	Learning speed, as is measured by four variables: - the speed of absorbing: market knowledge, - the speed of absorbing Opr tech knowledge, - the speed of absorbing Strat tech knowledge, - the speed of absorbing IB-strategy knowledge.	N/A	N/A

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
H6b: Less internationally experienced firms acquire more knowledge from non buyer-supplier relationships than do highly internationalised firms.	OLS regression for each dependent variable of two groups: less internationalised firms, more internationalised firms.	Absorptive Capacity (AC), which is measured using four variables: - Market AC, - Opr tech AC, - Strat tech AC, - IB strategy AC.	Eleven variables, in which: Two variables measure the extent of contribution of buyer-supplier relationships to the development of absorptive capacity. They are: - the extent of contribution of buyers, - the extent of contribution of suppliers. Nine variables measure the extent of contribution of non buyer-supplier relationships to the development of absorptive capacity. They are: - the extent of contribution of domestic competitors, - the extent of contribution of foreign competitors, - the extent of contribution of - FMNEs in the domestic market, - the extent of linking to universities, - the extent of contribution of governments, - the extent of contribution from attending conferences, - the extent of contribution from attending local exhibitions, - the extent of contribution from attending foreign exhibitions, - the extent of contribution from reading published standards.	Five control variables, which consist of: Size of the firm as is measured by LnEmployee, Learning culture, Structure (0=matrix/divisional, 1=divisional), Perceived competitiveness, Technology, which is measured by a dummy variable 0 = low-tech oriented industry 1 = high-tech oriented industry

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
Technology and characteristics of learning				
H7: The characteristics of learning about entering international markets are different between firms from high- and low-tech industries				
H7a: Controlling for experience, firms in high-tech industries absorb more knowledge from buyer-supplier relationships than do firms in low-tech oriented industries.	<p>The analysis is conducted in two stages: Stage 1: Independent samples t testing, for two groups: less technology oriented industries, technology oriented industries, to see if firms in these two groups absorb knowledge differently</p> <p>If significant difference exists, Stage 2: OLS regression for each dependent variable of two groups: less technology oriented industries, technology oriented industries.</p>	<p>Absorptive Capacity (AC), which is measured using four variables: - Market AC, - Opr tech AC, - Strat tech AC, - IB strategy AC.</p>	<p>Fourteen variables, which consist of: Three variables that measure international experience: - country experience, - sales ratio, - length of exporting. Two variables measure the extent of contribution of buyer-supplier relationships to the development of absorptive capacity. They are: - the extent of contribution of buyers, - the extent of contribution of suppliers. Nine variables measure the extent of contribution of non buyer-supplier relationships to the development of absorptive capacity. They are: - the extent of contribution of domestic competitors, - the extent of contribution of foreign competitors, - the extent of contribution of - FMNEs in the domestic market, - the extent of linking to universities, - the extent of contribution of governments, - the extent of contribution from attending conferences, - the extent of contribution from attending local exhibitions, - the extent of contribution from attending foreign exhibitions, - the extent of contribution from reading published standards.</p>	<p>Four control variables, which consist of: Size of the firm as is measured by LnEmployee, Learning culture, Structure (0=matrix/divisional, 1=divisional), Perceived competitiveness.</p>

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
H7b: Controlling for experience, firms in high-tech industries absorb knowledge faster than do firms in low-tech industries.	<p>The analysis is conducted in two stages: Stage 1: Independent samples t testing, for two groups: less technology oriented industry, technology oriented industry, to see if firms in these two groups absorb knowledge differently</p> <p>If significant difference exist, Stage 2: OLS regression for each dependent variable of two groups: the less technology oriented industry, the technology oriented industry.</p>	<p>Learning speed, as is measured by four variables:</p> <ul style="list-style-type: none"> - the speed of absorbing: market knowledge, - the speed of absorbing Opr-tech knowledge, - the speed of absorbing Strat-tech knowledge, - the speed of absorbing IB-strategy knowledge. 	As above	As above

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
HOW DO INDONESIAN FIRMS ENTER INTERNATIONAL MARKETS?				
Who are the references?				
H8: The lower the firm's absorptive capacity, the more it is likely to follow others. Specifically:				
H8a: The lower the firm's absorptive capacity, the more it follows the actions of domestic competitors.	OLS regression for the dependent variable	Mimicking domestic competitors variable	Four variables, which consist of: Absorptive Capacity (AC), which is measured using four variables: - Market AC, - Opr tech AC, - Strat tech AC, - IB strategy AC.	Five control variables, which consist of: Size of the firm as is measured by LnEmployee, Learning culture, Structure (0=matrix/divisional, 1=divisional), Perceived competitiveness, Technology, which is measured by a dummy variable 0 = low-tech oriented industry 1 = high-tech oriented industry
H8b: The lower the firm's absorptive capacity, the more it follows the actions of foreign competitors.	OLS regression for the dependent variable	Mimicking foreign competitors variable	As above	As above
H8c: The lower the firm's absorptive capacity, the more it follows the actions of Indonesia's FMNEs.	OLS regression for the dependent variable	Mimicking FMNEs in domestic market variable	As above	As above

Hypothesis	Method of analysis	Dependent Variable(s)	Independent Variable(s)	Control variables
What actions are followed?				
H9: The lower the firm's absorptive capacity, the more it is likely to follow others' international strategic actions. Specifically:				
H9a: The lower the firm's absorptive capacity, the more it follows the country selections of other international firms.	OLS regression for the dependent variable	Mimicking others' country selections variable	Four variables, which consist of: Absorptive Capacity (AC), which is measured using four variables: - Market AC, - Opr tech AC, - Strat tech AC, - IB strategy AC.	Five control variables, which consist of: Size of the firm as is measured by LnEmployee, Learning culture, Structure (0=matrix/divisional, 1=divisional), Perceived competitiveness, Technology, which is measured by a dummy variable 0 = low-tech oriented industry 1 = high-tech oriented industry
H9b: The lower the firm's absorptive capacity, the more it follows the entry mode choices of other international firms.	OLS regression for the dependent variable	Mimicking others' entry mode choices variable	As above	As above
H9c: The lower the firm's absorptive capacity, the more it follows the timing of entering international markets of other international firms.	OLS regression for the dependent variable	Mimicking others' time to enter international markets variable	As above	As above

N/A = Not Applicable

4.4 LINKING THE QUALITATIVE AND QUANTITATIVE METHODS OF ANALYSIS

A challenge associated with presenting mixed method research is demonstrating how the two approaches, qualitative and quantitative, are connected (Bryman, 2007). In this exploratory sequential qualitative-quantitative approach, the qualitative and the quantitative portions of the study have each been analysed separately, using appropriate methodologies (Creswell & Clark, 2007). The results and analysis of the qualitative findings are then used as input for the quantitative study. The overall interpretation of the results is the final step that links the qualitative and quantitative components.

This study follows the steps suggested by Creswell and Clark (2007). First, the qualitative data collection was conducted by interviewing respondents from multiple case companies. The qualitative data analysis was conducted using within- and cross-case analysis. The key result from the qualitative analysis was the understanding of how and why Indonesian firms learn about entering international markets. Specifically, this step provided extensive input into how to measure variables in the quantitative portion of the study. Details pertaining to the qualitative analysis can be seen in chapter 5.

Second, the instrument for the quantitative portion of the study was developed by combining input from the qualitative study and references from the existing literature.

Third, the quantitative portion of the study was conducted, with data collection based on a self administered survey instrument. The quantitative data analysis was conducted by employing statistical modelling and testing. The details of the quantitative analysis are shown in chapter 6.

The last step was the discussion, which combined the findings and interpretation of both the qualitative and quantitative studies; this is presented in chapter 7. The discussion includes clarification of linkages between the qualitative and quantitative

components of the study, including general insights gained from the cases analyses and how the findings from the interviews were incorporated into the development of the survey instrument. Key examples of the benefit of using the mixed method approach are the operationalisations of absorptive capacity as a measure of learning for Indonesian firms and of mimetic behaviour. The qualitative study resulted in the addition of the international business strategy dimension to the two dimensions of absorptive capacity drawn from the current literature: the market and technology dimensions. The quantitative study was then used to refine this operationalisation, and show that absorptive capacity with respect to Indonesian firms' learning about entering international markets consists of four dimensions: market, operational technology, strategic technology, and international business strategy. Similarly, with regard to mimetic behaviour, the qualitative study resulted in enhancements to the operationalisation of competition, adding a consideration of FMNEs operating in the domestic Indonesian market and distinguishing between domestic and foreign competitors, in contrast to the current literature, which only recognises generic competitors.

A key concern for any empirical research is validity, especially when some of the measures employed are new. This study followed the suggestions of Creswell and Clark (2007) for minimising the threats to validity in an exploratory mixed method study, which include: using different companies for the qualitative and quantitative data collection, using a large sample for the quantitative aspect, relative to the qualitative component, and using rigorous procedures for developing and validating the new instrument. This study involved 103 respondents in the quantitative study and five cases in the qualitative study. The survey instrument was developed by relying both on the existing literature and on the interviews with Indonesian managers, and was subjected to extensive pretesting and back-translation. Both the qualitative and quantitative analyses were conducted using approaches consistent with best practices in the international business literature, with regard to the reliability and validity.

Finally, overall validity can be assessed by exploring how the findings might have been less robust if they relied on only one of the research methodologies, either

qualitative or quantitative, adopted (Creswell & Tashakkori, 2008). Since this study used the qualitative approach to help with the initial understanding of the key issues and with the development of measurement for the quantitative component, the survey-based measures would not have been as robust if only one of the methodologies had been used. The operationalisation of absorptive capacity and mimetic behaviour are clear examples of this. Similarly, when quantitative analysis yielded unexpected outcomes, information from the interviews was useful in the process of exploring and explaining possible reasons. Chapter 7 provides additional discussion of how in this study the qualitative and quantitative methodologies link.

CHAPTER FIVE

QUALITATIVE ANALYSIS

This chapter presents the results of the qualitative data collection and analysis. The qualitative portion is the first stage of the sequential qualitative-quantitative mixed method adopted in this study. First, case descriptions are presented. These explain each firm's profile and the process of its internationalisation. The second subsection presents within-case analyses of each firm with regard to its internationalisation. Attention is paid specifically to the degree to which the behaviour of each firm conforms to the predictions of the model proposed in chapter 3. This analysis is provided to give an early indication of the applicability of the theories used in this thesis. The third subsection presents cross-case analyses identifying differences and similarities between cases. Through the identification of variables and/or dimensions of measures, this subsection specifically explores the operationalisation for testing the model via the quantitative study. The final subsection presents tentative conclusions from the qualitative findings, with regard to the conceptual framework, measures and dimensions of variables, and how these findings, the framework, the measures and dimensions relate to the subsequent quantitative component of the study.

5.1 CASE DESCRIPTION

This section describes five Indonesian export manufacturing firms: a publicly listed company in the automotive sector; a privately owned Indonesian company that also acts as an original equipment manufacturer (OEM) for a Japanese firm; a private indigenous firm producing frozen food, where the inputs are mainly from domestic suppliers; a private Chinese Indonesian family business in the gold jewellery industry; and a state owned enterprise (SOE) in the wood manufacturing sector. The background, profile and the internationalisation process of each firm is presented.

Case 1: WHEEL

WHEEL is a publicly listed alloy wheel export manufacturer, established in 1984. The owner, who had worked previously in the automotive sector in Indonesia, realised that automotive industry was well established with a large market. At that time, the Indonesian government was actively promoting export oriented policies, an initiative which was responded to mainly by Japanese firms that had operated in Indonesia since 1970s, when the government invited foreign direct investment. These Japanese companies targeted both domestic and foreign markets, and Indonesia was to be their production centre.

Through working at a foreign subsidiary, WHEEL's owner learned about potential markets. He also realised that competing against Japanese firms was not a good course of action. His firm, compared to international players, had limited capital, technology, networks and other resources necessary to compete in the market. Furthermore, acting as an OEM (original equipment manufacturer) was not a good option either, because the factory was not situated at a manageable distance for supplying Japanese vehicle manufacturers. These companies employ just in time inventory strategies and require OEMs to locate either their factories or warehouses in close proximity to their assembly plants. He tried to find a niche market within this industry,

and discovered that the demand for fancy alloy wheels was not being served. The aftermarket for wheel products was not being exploited, particularly that with customers who were not satisfied with standard, production-level wheels.

The company is a 'born global', having targeted international markets from its inception. In the well established automotive industry, standards are widely understood. WHEEL's confidence with regard to its early international entry was possible because the company's products were able to meet those standards.

WHEEL targeted the Japanese market, on the basis that Japan was the standard setter for the worldwide automotive industry. The owner reasoned that, if WHEEL could succeed in the Japanese market, entry into other markets would be easier. The company's successful entry into Japan has led the firm to international success. International sales at the time the data was collected accounted for 95% of its production and the products were marketed worldwide, including to the U.S., Canada, Germany and other European countries, Australia, the Middle East, South Africa, Asia, and South and Central America. The remaining 5% of the company's production serves the local wheel market in Indonesia and supplies OEM products to Daihatsu, Suzuki, Isuzu, General Motors Opel and Hyundai, who offer wheel modification for their upper class customers. These local customers do not apply typically strict OEM location rules to WHEEL, on the basis of the firm's reputation in Japan.

The company has established two marketing offices outside Indonesia: one in Las Vegas and the other in Tokyo, with marketing representatives in each office responsible for the surrounding international markets. These representatives help the firm to adapt its products to suit local markets. The local marketing director is responsible for facilitating the firm's entry into other international markets. Routine meetings amongst the marketing

representatives, and the firm's commitment to support international markets, ensure WHEEL to actively engage with new foreign markets.

The company credits its international expansion to the worldwide flow of Japanese products. WHEEL closely monitors Japanese car production. By identifying standard products and conducting research on customers buying Japanese cars, the company identified the demand for fancy alloy wheels. Importantly, WHEEL follows the decisions of Japanese cars producers regarding the countries and timing for internationalising. The export managers said that: "...we know our target market, the niche un-served market of Japanese car customers. Our export was possible by following Japanese automotive company movements ...".

Case 2: ELECTRONICS

ELECTRONICS is an export manufacturer that produces audio speaker products. Established in 1980, the company entered international markets indirectly by becoming an OEM supplier for an Indonesian subsidiary of a Japanese multinational enterprise (MNE) that exports its products to Japan. This situation built ELECTRONICS' self confidence regarding the quality of its products. The company considers the excellence of its products as its key competitive advantage. ELECTRONICS has gradually obtained world class certification with ISO 9001, ISO 9002, QS 9000, and TS 16949 certificates, as well as gradually established close international partnerships, such as with the Scandinavia Audio Research Center.

The company's direct entry into international markets was generated initially by supplying a leading U.S. audio equipment manufacturer in 1987. It was a coincidence that a U.S. firm was looking for suppliers and found the company's address from the internet. The contact was created by email, and followed up by a sample that was accepted. ELECTRONICS had to learn quickly to cope with foreign requirements and deal with local suppliers at the same time. In order to maintain steady quality and delivery, the company

acquired Indonesian suppliers. From 1981 until 1995, almost every two years, the company expanded the production line along the supply chain. It also started to import semi finished products from China because they were cheaper than local components. In 1995, ELECTRONICS expanded its manufacturing facilities to China, in order to ensure the quality of imported materials and maintain effective and efficient operations.

ELECTRONICS has established a reputation in both domestic and foreign markets, indirectly through the OEM companies it has supplied. This is quite different from the case of a new firm that supplies purely domestic markets and has not engaged with foreign firms. Although ELECTRONICS' engagement with foreign markets was accomplished indirectly, by becoming an OEM manufacturer, the company has built its own reputation, which allows it to penetrate foreign markets more easily than a firm without its connections.

At the moment, the company exports its products to European countries and the U.S. ELECTRONICS has two representatives outside of Indonesia, in the U.S. and Europe. In Europe ELECTRONICS mainly supplies the audio systems for luxury cars. The market demands high product adaptability. Although it has received a positive response from its domestic and international customers, the firm is conscious that domestic demand remains important to the company. Today, 80% of ELECTRONICS' sales come from the domestic market, with 75% of those sales made up of the company's own brand and 25% of OEM sales; the remaining 20% of ELECTRONICS' sales come from exports.

ELECTRONICS is an OEM supplier to Sharp, Yamaha, Cerwin-Vega, and Polytron, for their Indonesian-produced export products. Indonesia is a large market in its own right. Dealing with foreign markets requires enormous commitments, such as dedicated human and production resources. The company is uncertain that it can satisfy various foreign markets, especially when the domestic market's requirements are relatively homogeneous and

predictable. Therefore, the company has chosen to focus on the domestic market.

Despite the company's extraordinary achievements, it displays no confidence in its ability to build its own brand abroad. All of ELECTRONICS exports are sent to supply foreign brands. ELECTRONICS dedicates its production facilities to serving the needs of Japanese customers, which limits the company's ability to make product adjustments to meet the requirements of other foreign markets.

ELECTRONICS' continuous operations are possible because of its ability to maintain good relationships with its OEM customers. The company has received various awards, including the National Panasonic Gobel awarded for its supportive overall supply performance. Philips Sound Solution nominated the company as the supplier of the year for outstanding co-operation, Panasonic honoured the company with a cost performance award, and Sharp Yasonta Indonesia named ELECTRONICS as its best supplier. Routine visits to the factory by the Japanese partners help the company with process and quality improvements.

ELECTRONICS believes that the company needs to build a unique product that is distinct from its OEM products. The company needs to define its own target markets, which the owner believes should be markets that it understands, or where it does not have to compete against experienced Japanese manufacturers. In 2006, a joint technology partnership was created with the Scandinavia Audio Research Center at Denmark. This research centre also serves as a European mini manufacturer (assembling) for the company. Although several international patents have been created, return on investment has not been realised. The director said that: "...operating abroad is costly. Even more, the return on investment took longer than domestic investment..." because there are unpredictable costs associated with export and foreign investment.

Interestingly, the company still continues to maintain its operations and marketing abroad. The manager said that these activities were only conducted to build a positive image, for marketing intelligence purposes and to manage the company's risk portfolios, preparing for the case when the domestic market is no longer viable.

Case 3: SEA

SEA is a frozen seafood manufacturer and exporter, fully owned by an Indonesian. It was established in 1994 and, from its inception, targeted foreign markets. The director has a strong academic background, having graduated from a reputable university, with an agro-industry major. He has no business background and has never lived outside of Indonesia. His knowledge about international markets was obtained through time spent working in an export manufacturing firm in a related industry in Indonesia.

The director saw that there was an opportunity in producing frozen seafood because he had knowledge about fisheries from his university education and about markets from his working experience. In addition, the industry was made up of a small number of players, all aiming for different target markets. SEA's international success has been obtained by targeting niche markets and focusing on selling fish that are unique to Indonesia.

SEA's initial foray into exporting represented a bold action and proved valuable for the firm's learning. The first container to the U.S. was rejected because SEA was unable to comply with the required standards and its director lost his money. Luckily, however, he was a former student of a government minister who was, at that time, responsible for the small and medium enterprise development in Indonesia. He received capital and technical assistance from the government. Based on this first, unsuccessful experience, the company, in order to ensure successful exporting, now invites serious buyers to come and visit the factory prior to entering into a transaction

SEA's products are exported primarily to Japan and the U.S. It has developed from a small to a large business over its 12 year history. Today, the company has nearly 30 production facilities along the Indonesian coast and 90% of its production is exported. SEA regularly visits its customers, sending three to five personnel from different departments on these visits. By doing this, the company ensures the knowledge gained is not particular to nor the property of one person, but, rather becomes knowledge belonging to the firm.

In addition to buyer-supplier relationships, the firm actively participates in an international sea products trade exposition twice each year. The company believes that the trade exposition offers information about market development that SEA cannot obtain from its social connections at home or in countries where it does business. The information from the trade exposition is also used to develop the firm's products, so it does not need to rely too heavily on buyers' inputs.

SEA considers that managing continuous operations in a business where the products depend on the natural climate and traditional fishermen is critical, especially since the policy for sustainable environment in Indonesia is in the developing stages and fishery practices are not standardised with regard to places and players. Although the owner indicated that non buyer-supplier relationships provide less technical input for the firm, SEA considers that the linkage to the government is important. Following the growth of the company, SEA's director has devoted time to involvement in the industry association. The director indicated that this involvement allows him to access information, such as current policies, critical to the company's development, and to have a chance to participate in the development of industrial and export policies, through the policy development authority inviting the association to provide input.

Case 4: GOLD

GOLD is a jewellery export manufacturer, established in 1989. Sixty percent (60%) of the production is exported. The company belongs to Indonesian Chinese, and is a family business. The export director maintains that every industry has its own characteristics and the gold industry involves a heavy dose of trust. Therefore, a family business was considered the most appropriate business model for the company.

It was good fortune that, in 1991, the government offered the company government funding to attend a foreign expo promoting domestic firms' exports. GOLD joined a multimarket general exhibition in Europe. There were no buyers, but apparently, the exhibition opened the director's mind about foreign markets as he saw competitors obtained large orders from the event. From this exhibition, GOLD also knew that there was a dedicated exhibition for gold manufacturers, where manufacturers and wholesalers could meet at the same time.

GOLD attended this international exhibition the year after, without government support, and displayed their products. The exhibition convinced GOLD of the need to maintain unique products for a certain market, and that there could be no mass production of this type of jewellery. Following this exhibition, GOLD developed several clusters of jewellery products based on the culture of its targeted markets. The clusters were Middle East, Confucian, and South-East Asian. GOLD repeated its attendance at the exhibition a year after and received the first international order from a Middle Eastern customer through the jewellery exhibition in 1993.

The director maintains that gold jewellery involves art and business. GOLD believes that the business is possible because GOLD workers are trained craftsmen, who have a combination of skill and design. Moreover, he believes that design is attached to one culture. Therefore, for international markets, GOLD strategically target countries with cultural similarity to Indonesia, and

for each region, the company works closely with a key wholesaler, that allows GOLD to discuss in depth customers' demands. At the moment, GOLD has established relationships with wholesalers in Dubai to serve the Middle East market, in Singapore to serve Confucian markets and in Malaysia for the South-East Asian markets. These foreign wholesalers sell the products both to their domestic and regional markets. For foreign markets, GOLD manufactures products with customers' brands, while sales of design products are conducted jointly with the customers. Knowledge about products and trends is also updated through regular visits of the directors to the company's wholesalers.

GOLD acknowledges that the company learned about product adaptation through its customers, while foreign exhibitions help the firm to understand changes in the industry. Although there is a tendency for more and more players to come into the market, the director believes that it is not easy to break existing relationships in the jewellery sector.

Case 5: FURNI

FURNI is a state owned enterprise, established in 1970s, which belongs to the Indonesian Ministry of Forestry. Its head office and subsidiaries are located in Surabaya and East Java province. The enterprise was originally, in the 1960s, a saw mill and gum processing manufacturer that processed timbers and gums from Indonesian forests. The restructuring of state owned enterprises, following the government's changing of direction in international business policy in the 1970s changed these companies into business units of FURNI.

The saw mill was then extended to furniture production, targeting end-user customers. It aimed to serve mainly foreign markets, conduct value added activities at home and reap the advantage of furniture price differences between Indonesia and abroad, copying the foreign investment that entered Indonesia in 1970s. It also controlled the flow of logs out of Indonesia. FURNI became a corporation with three types of business units: saw milling,

furniture process manufacturing and gum process manufacturing. The saw mill supplies domestic furniture manufacturing, both within the company and for private companies. The furniture processing business targets customers abroad, in order to avoid competition against domestic producers. The gum process manufacturing supports both domestic and foreign manufacturers, with the focus on foreign industrial customers.

Marketing and sales activities are conducted at the corporate level, with the marketing division split into domestic and export divisions. The domestic division was designed to promote and sell timber and gum, while the export division was designed to promote and sell furniture and gum. The first furniture export order was received just as the new company was established. However, the plan at that time was not working well.

FURNI has limited infrastructure and human resources for making furniture for export and for following up export orders. Therefore, the central government established an export marketing agreement with several trading agencies in Indonesia, and outsourced the manufacturing of ordered furniture to local furniture manufacturers in East Java. The decision to outsource both the production and marketing was taken in order to ensure that customers' demands can be fulfilled.

As a SOE, the demand and supply operation are conducted in a bureaucratic manner. Most SOEs in Indonesia manufacture raw materials or components, and exporting is considered strategic by law. The government indicates the amount to export, eligible products, markets to enter and standards to comply with for exporting. The ministry of trade in the central government defines the exporting policy for SOEs from various sectors. Provincial governments operationalise the policy and ensure compliance of operations with industrial and forestry policies. However, neither central nor provincial government has the capacity to manage the daily operation of this exporting strategy. Marketing activities are outsourced to an exporting agency, while furniture

manufacturing is conducted by local furniture companies. SOEs like FURNI serve as co-ordinators. However, as the agencies are located in Jakarta, and SOEs generally rely on manual administrative processes, the agencies engage closely with the central government, but not with provincial governments. In FURNI's case, there is no direct contact with the marketing agencies, but only with the outsource manufacturers. Lack of regular contact with its marketing branch, along with layers of bureaucracy it has to deal with limit FURNI's ability to respond to the market.

The marketing manager stated that there has been no significant change at FURNI, in terms of marketing or production management, since its first international entry. Layers of bureaucracy limit the flexibility and ability of FURNI to adapt to the market. He said that:

“...in this SOE, export information is pooled at the top management level, the central government, and needs manual approval to be shared. Similar bureaucracy works at the lower level. This process may take days, which may delay the decision making process and when the information arrives at a technical unit, it might be too late to respond....”

Therefore, considering the slow process at the SOE and in order to reduce the pressures of exporting, FURNI decided to produce mass and standardised products, applicable for all countries.

The marketing manager noted:

“... our agent may have better knowledge than us, because it has direct contacts with customers. Our partner manufacturers may have better knowledge about production, but we are the company that is supposedly strategic, as it is the middle. But because we have very rigid bureaucracy and limited capacity, we don't know about both the market and production sides...”

The relationships between the SOE and the marketing agencies are very formal and infrequent. The manager perceives that, with limited understanding about demand and supply, FURNI is lacking competitiveness. For example, in terms of price, it is clearly difficult for the company to manage its competition in the market.

The manager said that the price of furniture products consists of raw material, production and transportation costs. The price of raw material, the wood, is manageable, as it is supplied by the saw mill. The cost of furniture production is hard to manage, not because it is conducted by the outsourced companies, but because the coatings are imported. Although FURNI processes gum resin for wood coating, this business unit focuses on foreign markets and, as a consequence, there is no steady supply for domestic wood coating producers. The outsourced company decided to use imported material, which is more expensive than local products, but supplied steadily.

5.2 WITHIN-CASE ANALYSIS

This subsection presents in-depth analysis of each case. The analysis is intended to provide an initial assessment, with regard to the study's theoretical framework, and seeks to provide input into testing the model on a larger scale, informing the operationalisation of the quantitative portion of the study. The findings from each case are compared and contrasted against the three main theoretical models adopted in this study: the internationalisation process model, absorptive capacity development model, and institutional theory.

The five cases in this study involved firms from different sectors. As the behaviour of firms may be influenced by the environment in which they operate, for each case, the background of the firm's sector is discussed as required. As indicated in chapter 2, the direction of industrial and international business policy in Indonesia has changed several times following the political transformation, and this may have influenced firms' export

behaviours, as noted by Aswicahyono and Feridharnusetyawan (2004) and Narjoko and Hill (2007), who studied the behaviours of Indonesian manufacturing firms in the changing policy situation.

5.2.1 Case 1: WHEEL

WHEEL's internationalisation started from inception. The internationalisation process model suggests that internationalisation is a step by step approach, following the firm's accumulation of knowledge from the least to the more psychically distant markets (Johanson & Wiedersheim-Paul, 1975). The theory emphasises that, through experience, the firm develops the knowledge necessary to enter international markets. WHEEL indicated that the firm had no experience in the domestic market before internationalisation. Thus the firm had no accumulation of knowledge, and the knowledge that underlay the internationalisation decision was not a result of the firm's experience. It was the individual owner's experience that motivated the first international entry. The internationalisation process model does not explain this phenomenon.

Organisational learning theory, on the other hand, recognises that organisational knowledge is built by individuals within the firm (Nonaka & Toyama, 2002, Nonaka & Toyama, 2003, Nonaka & Toyama, 2005, Nonaka, Toyama, & Nagata, 2000). Importantly, the knowledge at the organisational level is not simply an accumulation of individual knowledge (Nonaka, Toyama, & Konno, 2000). There is a structure of communication in an organisation which allows for transfer of knowledge between individuals and the creation of knowledge within the organisation, at the individual, group and organisational levels. The WHEEL case shows that the owner has transformed and exploited his own knowledge to become organisational absorptive capacity. Similar to the situation described by Zahra and George (2002), the action of an organisation was a result of absorptive capacity development, through transformation and exploitation of knowledge.

WHEEL's knowledge about international markets was developed before the firm's establishment, through the decision maker's personal experience. His experience working at a Japanese multinational firm in the automotive industry in Indonesia provided understanding about market opportunities as well as technical aspects of the products. He transformed his individual knowledge to the organisational level by setting up the structures and systems of communication in WHEEL, his own company.

WHEEL learned from second-hand experience. The automotive industry has been one of the strategic industries of Indonesia's inward direct investment policy (Okamoto & Sjöholm, 1999). Licensing and technical agreements between Indonesian and Japanese firms are easily found in this industry, whose inputs are supported by imported and local components. The experience of the owner, working at a Japanese MNE, was very valuable. During that time, the owner of WHEEL learned about product specifications, product testing and updating knowledge through published standards. Even more, when the export oriented policy was launched, the MNE opened the opportunities for local firms to be suppliers and broaden the understanding of WHEEL's owner about market opportunities.

Previous studies have indicated that, in this metal-based industry, backward linkages of foreign direct investment (FDI) create benefits related to technology transfer from the head office to subsidiaries, as well as from FMNEs to local firms (Criscuolo & Narula, 2008, Kugler, 2006). This happened in the company where the WHEEL owner previously worked. Organisational learning theory recognises that the people involved in activities related to the transfer of knowledge between firms hold the knowledge (Nonaka, Toyama, & Konno, 2000), as evidenced by WHEEL's owner. When such a person moves to another company, he/she may transfer the knowledge to other areas and use previous experience as a reference. For example, WHEEL applies open communication with buyers to understand the demand, investigates Japanese automotive firms to understand the competition in the

industry and adopts published standards to ensure the compatibility of its products. These three approaches support the notion that firms may learn from variety of sources to support their internationalisation. Forsgren (2002) maintains that internationalisation can happen as a combination of own experience and the experience of others, while the internationalisation process model explores this mode of learning only in a limited manner.

Institutional theory stresses that new entrant firms seek legitimacy (DiMaggio & Powell, 1983). Previous studies indicate that, although domestic firms obtain technological spill-over, it is unlikely that these firms will compete against foreign firms in similar products and markets (Okamoto & Sjöholm, 1999), as FMNEs have better position in the market. They have better knowledge about products and markets, as their research and development is more developed (Kugler, 2006). This finding parallels that of Guler, Guillen and Macpherson (2002), who found that FMNEs are key actors in disseminating international practice to industrial practice across host nations. This situation was also found in the WHEEL case. WHEEL management decided not to compete against FMNEs but to seek niche, un-served markets that could accept WHEEL's products as new entrants. Furthermore, mimicking Japanese firms' movements in international markets might reduce the company's risk pertaining to uncertain foreign markets. WHEEL referred to the action of FMNE's in the domestic Indonesian market with regard to the decision to enter particular countries and the timing of entering international markets.

In summary, the WHEEL case indicated that firms learn from second-hand experience both in the preparation and execution of internationalisation decision. FMNEs in domestic market and published standards facilitate the firm's understanding about the competition in the industry and the standards required by customers, as well as the potential un-served market (the fancy alloy wheel). The FMNEs in the domestic market also facilitate WHEEL to

adopt a ‘follow the leader’ strategy in order to reduce the risk of unknown foreign markets.

5.2.2 Case 2: ELECTRONICS

The internationalisation process model stresses that firms build knowledge related to international markets gradually (Johanson & Vahlne, 1977). The ELECTRONICS case showed that it built a reputable performance in domestic market before it entered international markets. Interestingly, its international entry was not because of an intention to enter international market, but was a response to an international customer’s request. ELECTRONICS is an OEM (Original Equipment Manufacturing) of Japanese products and supplies products to a Japanese FMNE in Indonesia that serves both domestic and foreign markets. Following up with direct exporting, ELECTRONICS still maintains both its own brand and the customers’ brands (the OEM and individual companies in the U.S. and Europe). ELECTRONICS considers that being in both domestic and foreign markets can strengthen the position of the firm in any market, as well as foster the firm’s learning about foreign standards. With this strategy, ELECTRONICS gradually upgrades its products to meet foreign standards and adjusts its production facilities to fulfil the requirements.

In addition, ELECTRONICS considers that its performance is a result of knowledge development by both the firm and its customers. ELECTRONICS admits that it acquired knowledge about operational technology from its OEM partners. The ability of the firm to comply with the standards required by Japanese MNEs in Indonesia (the OEM partners) as well as the standard required by its U.S. customers, along with several best-supplier awards from customers, built the company’s position in the international market. It helps ELECTRONICS to constantly receive foreign orders. Blomstermo and Choi (2003) maintain that knowledge has its own specific context, and firms need to adjust their knowledge and exploit it in different contexts to meet new purposes and situations. The ELECTRONICS case indicated that the company

had been able to develop its knowledge through interaction and exploit its knowledge to support the firm's strategy and customers' demands.

ELECTRONIC's international sales amount to only 20% of total sales. From the management perspective, ELECTRONICS is still a traditional family business. The strategic decision maker is the owner, who has limited foreign language skill, either in English or in Japanese. The firm's Japanese partners can, however, contact the production operators directly and conduct regular inspection and on-site instruction. On one hand, the owner is of the view that it is a good approach to learn and comply with foreign demands, but he also complains about the Japanese management style. The U.S. customers do not visit the company regularly and do not provide on-site instruction to the operators. The owner perceives this as giving him more power with the U.S. customers as they do not enter the production facility. However, comparing these Japanese and U.S. customers, the owner noted difficulties in understanding foreign partners and foreign markets. He maintained that the partner and customers' practices are not standardised. For example, his experience with Japanese partners was that he had limited authority to control the factory. In order to fulfil the Japanese demands, ELECTRONICS needs to provide dedicated facilities and human resources. Thus, the owner imagined that, if each foreign customer required similar commitment, ELECTRONICS would find it difficult to meet their needs. Therefore, ELECTRONICS limits itself from actively penetrating foreign markets. This situation may relate to previous studies regarding; Zahra (2003) maintains that ownership is a significant variable in the internationalisation of family business and the geographic operation of a firm. The owner would consider expansion into foreign markets when the decision was supported by the involvement of family members, so that it is necessary for the owner or family members to be able to see strategic incentives for internationalisation. In the ELECTRONICS case, the owner seems to feel a threat to his ability to control the company if ELECTRONICS relies heavily on international markets.

Until now, ELECTRONICS has focused on the Indonesian market. Interestingly, ELECTRONICS acknowledged that it learned from FMNEs in Indonesia, including Japanese firms in dominant positions in the Indonesian market. The owner noted that solid research and development (R&D) underlies these Japanese firms' positions, allowing them to deliver unique products and dominate the market. While the R&D capabilities of Indonesian firms might be not as advanced and rigorous as those of foreign firms, ELECTRONICS has tried to narrow the gap, establishing joint R&D and marketing with the Scandinavian Audio Research Centre. ELECTRONICS perceived that the different approach of the European research centre might help the firm to compete against Japanese firms in the Indonesian market and in other markets that it might enter in the future. This finding may reflect that of Grunfeld (2006), who found that R&D intensive companies have higher absorptive capacity than non R&D intensive companies.

From the relationship perspective, previous studies have indicated that learning from others in a buyer-supplier relationship requires commitment and readiness from both parties. For example, in the Italian motor sport industry, Mariotti (2007) found that the need to launch a state-of-the-art vehicle yearly, and quick learning among firms in a supply chain is necessary. A buyer may locate its engineers in the supplier's company to help the supplier meet its requirements. When the suppliers are open for such an initiative, the internationalisation of the customer's products becomes possible and the supplier may be pulled to enter international market by piggybacking the customer. In the ELECTRONICS case, however, it seems that the Japanese customers (the OEM partner) enter the production site as a way to improve the supplier's capacity and improve exports. On the other hand, ELECTRONICS, as the OEM partner, seems not to consider the Japanese partner as a strategic partner in the long term. Issues associated with language and culture have interfered with buyer-supplier communication and the transfer of knowledge.

Studying learning culture and organisational absorptive capacity, Harrington and Guimaraes (2005) found that an organisation with an externally focussed culture resulting from a reduced internal bureaucracy, is likely to develop a higher absorptive capacity than a comparable firm without such an external focus. This literature seems to fit with ELECTRONICS and help to explain why ELECTRONICS' internationalisation, despite its excellent performance, is still limited. The ELECTRONICS family business structure may limit the firm's ability to reward excellent achievement of individuals outside of the family who support the firm's internationalisation.

In summary, the ELECTRONICS case supports the notion that internationalisation is a cumulative learning process, from experience in both domestic and foreign markets, from the firm's own experience and the experience of others (buyers). Entering the international market may happen as a coincidence, but it may also come because of the firm has built a good reputation in home market and shown the ability to respond to buyers. The initial entry to the foreign market might be hastened if the firm's organisational learning culture supports learning from other firms. The ELECTRONICS case indicates a developmental stage of building organisational culture. On the one hand, ELECTRONICS is keen to learn from foreign partners; on the other hand, it is not quite at ease in dealing with cultural conflicts and different management styles.

5.2.3 Case 3: SEA

SEA entered international markets from its inception, but its first export experience was a failure. Although the owner had worked in an export company before the establishment of the firm, his experience was in exporting different products.

From this failure, SEA decided to involve foreign customers as partners to help the firm with learning about foreign regulations and standards. The Indonesian food and beverage industry is in the development stage with most

of its players focusing mainly on the domestic market. Domestic partners, such as suppliers, may not help with learning about international markets. SEA committed its resources to learning about foreign markets by, for example, inviting its buyers, food importers, and visiting potential buyers on a regular basis. The visits involved several people from the company and factory. This finding supports Lane and Lubatkin (1998), who maintain that inter-organisational learning requires similarity in terms of knowledge basis, structure and dominant logic. SEA's international success was a result of building such similarities for the transfer of knowledge with its foreign customers. In addition to the visits, SEA also attended foreign exhibitions, to obtain new buyers and understand the development of the industry.

Indeed, the failure of SEA's first export pushed the owner to evaluate his management style, and made him realise that an individual level of knowledge is inadequate. Through the learning culture in the organisation, the staff gradually acquired the knowledge necessary to successfully enter international markets. The internationalisation of the firm became possible through knowledge created and executed at the organisational level, which was initiated by individual knowledge.

In addition, SEA decided to produce and sell products with customers' brands. Building one's own brand is difficult. The challenges include developing customers' perceptions, breaking existing business relationships, and developing unique products for a market. Zou, Fang, and Zhao (2003) maintain that capabilities in product distribution and product development are two key aspects to obtaining branding advantages. SEA realised that it lacked adequate resources and capabilities to develop its own brand. The challenges of creating an own brand were, however, avoided when SEA produced products with customers' brands, which was considered more sustainable as both customers and supplier were interdependent. The SEA director maintained that the idea was obtained from SEA's investigation of the behaviour of FMNEs in Indonesia. Domestic players manufacture the products

under the FMNEs' supervision, and learn about foreign standards, which, in business to business relationships, offer long-term business potential.

In addition to buyers, SEA acknowledges that industry associations helped the firm to obtain access to the government, the policy maker, and to investigate possible partnerships with other firms in the industry. SEA believes that collaboration with other domestic firms may strengthen its own position abroad. This finding reflects that of a previous study that stresses the use of relationships for collaborative learning and strategic actions (Mariotti, 2007, Patterson & Chetty, 2003).

In summary, the SEA case indicates that the firm learned technical aspects of internationalisation from both its own experience and the experience of others, mainly through its relationships with buyers. The FMNEs in the Indonesian market provided strategic direction on how to deal with foreign markets, such as targeting business customers and supporting customers' brands.

5.2.4 Case 4: GOLD

GOLD developed a reputable track record in gold manufacturing in Indonesia before its internationalisation. Its presence and performance in the domestic market invited the attention of the government to assist the company in promoting its products at a foreign expo. The first exhibition was unsuccessful, but GOLD learned from this experience about potential markets and international business competition. It made another attempt to penetrate the market by attending a product-specific expo. The experience also helped GOLD to target certain markets and to focus on building relationships. It targeted countries psychically close to Indonesia. These are countries with cultural, such as Islamic, Confucian and Malay, roots similar to those of Indonesia. GOLD focused on establishing business relationships with its partners from Dubai, Singapore and Malaysia. These findings provide some evidence in support of the sequential learning process of internationalisation (Johanson & Wiedersheim-Paul, 1975).

Foreign exhibitions and regular contacts with customers are the company's main way of learning about international markets. GOLD maintains that market trends and product adaptation are discussed with customers. Although GOLD produces products with customer brands, they offer design services for customers. The firm analyses the designs of the most saleable products from each country it enters, and offers new designs for customers. These designs are then further developed by the customers' designers and GOLD's art workers working together. Such activities improved GOLD's foreign sales performance. This finding is parallel to that of Lane and Lubatkin (1998), who investigated inter-organisational learning, and found that it happens when both parties involved in the learning process have comparable capacity and dominant logic. Both GOLD and its customers openly discuss designs and consider product development as a joint effort between buyer and supplier. Unlike other family businesses in Indonesia, the culture in GOLD encourages the art workers to express their design and appreciates innovation. GOLD views failure as a learning experience, and everyone may have this experience. Staff members are encouraged to express their work without being afraid of failure. Fiol and Lyles (1985) claim that organisational learning increases as the culture in the organisation stresses learning. GOLD uses both internal and external sources of learning to improve the company's ability to adapt to foreign markets.

Previous literature has indicated that firms may adopt market expansion, penetration or integration strategies of internationalisation (Johanson & Mattsson, 1988). Expansion means focusing on entering more markets or countries, penetration means increasing the quantity of orders from existing markets and integration means identifying potential markets through a combination of existing countries. The GOLD case indicated that it adopted a penetration strategy. It limits its number of customers, both in Indonesia and abroad, in order to be able to work closely with them and support them. GOLD believes that each company aims to expand its business. Therefore, if GOLD can satisfy these wholesale customers, they will expand their markets

which also mean expanding markets for GOLD. Indeed, GOLD perceives that the gold business is unique. Each customer has its own characteristics and sense of art, although the sense of art may have some homogeneity within a region. Once GOLD can fulfil a wholesaler's requirements, that regional market should expand automatically, as the customer becomes convinced that GOLD can meet its demands. GOLD restructured its marketing and sales division to support the development of each regional market. The company showed confidence in its strategy, which was in no way influenced by that of other internationalised firms. Gradually, the export sales exceeded the domestic sales. This finding parallels that of Beamish, Karavis, Goerzen and Lane (1999), who claim that an exporting firm that has a dedicated structure to support its export is likely to have better export performance than firms that consider export markets similar to the domestic market.

In summary, the case indicates that an organisational learning culture helped GOLD to understand about foreign markets and respond to foreign demands.

5.2.5 Case 5: FURNI

As an SOE, FURNI's internationalisation decision followed a bureaucratic approach. The government's export oriented policy led to the establishment of an export division in FURNI and extended the orientation of the company's market. FURNI had limited knowledge to support internationalisation, as it was a saw mill company that supplied furniture manufacturers. When the export decision was made, FURNI decided to outsource both the marketing and the production of furniture products, while maintaining the saw mill operations, which have continued until now in 2008 serving only the Indonesia market. This decision was critical, as it limited FURNI's learning about international markets. Even more, rigid organisational structure and bureaucracy limited the firm's ability to respond to international markets.

The FURNI case was interesting, as the design of its internationalisation initially followed the theory, as discussed in the literature. For example,

Johanson and Wiedersheim-Paul (1975) maintain that, in the initial stage, a firm conducts irregular exports through an agent. FURNI exports through an exporting agency. In this beginning stage, FURNI may have been helped by subcontracting its marketing and production activities. During this time, internal operations should have been developed, including its human resource capacity. However, such investment was not planned or conducted properly. The company has no strategic learning plan, and political changes in Indonesia have led to changes in personnel and the direction of SOEs from that of the central government. In addition changes of Indonesian policy from a centralised to a decentralised governmental system, as reviewed in chapter 2, create operational difficulties. In general, the bureaucracy of FURNI and its strategic environment may limit its learning process. This reflects the view of Harrington and Guimaraes (2005) who argue that bureaucracy limits the absorptive capacity development of a firm. Moreover, exporting is considered as a normal routine to follow. There is no strategic evaluation of how firms learn about international markets, and what strategic actions to take. This finding also supports Beamish, Karavis, Goerzen and Lane (1999), who claim that when an exporting firm considers export markets as similar to the domestic market, it loses the potential development of the firm's capacity.

In general, the FURNI case indicates that learning from others in the context of internationalisation is unlikely to happen when the organisation has neither support structure nor systems in place, especially with respect to human resources and communication. This finding supports Lane and Lubatkin (1998), who argue that relative similarities between firms, such as the structure and compensation system, are necessary in inter-organisational learning. FURNI has not been able to learn about how to enter international markets from either buyer-supplier or from non-buyer supplier relationships, as it lacks structural and cultural similarities with its partners

Moreover, although the internationalisation of FURNI was made possible through government intervention, the lack of development of adequate

absorptive capacity makes the internationalisation of the firm vulnerable. In international business, firms need to meet both home- and host-countries' institutional values, including the updated standards launched by the related institutions in both countries. It seems that FURNI needs to update its values and way of doing business, so that it can meet international standards. For an organisation to change, the values it takes for granted need to be recognised by the decision makers, and new values need to be adopted and integrated into the current institutional system (Greenwood & Hinings, 1996).

In summary, the FURNI case supports the view of internationalisation as an iterative learning process. A firm needs to both strategically plan and operationally follow the process of learning about international markets. As an SOE with close links to policy makers at both central and provincial levels, as well as local manufacturers and exporting agencies, FURNI should have better capacity to absorb knowledge from different partners. However, the case analysis suggests that FURNI has not managed its inter-organisational learning effectively enough and that, as a result, the knowledge within the organisation has not developed optimally.

5.2.6 Summary of within-case analysis

The five cases above indicate that internationalisation is multidimensional. A broad consideration of the internationalisation process model, organisational learning theory, the absorptive capacity literature and institutional theory may help to explain the internationalisation behaviour of the firm. In other words, adopting one theoretical framework may not be adequate to explain firms' internationalisation. For example, the WHEEL case indicates that the internationalisation process model which stresses experiential knowledge, does not adequately explain the phenomenon. By calling on the absorptive capacity and institutional literatures in explaining how firms behave with respect to learning about entering international markets, this study hopes to contribute to the literature on the internationalisation of the firm

The within-case analysis above provides some preliminary understanding about how Indonesian firms enter international markets, specifically with regard to theory development and the measurement and operationalisation of variables related to internationalisation. The qualitative findings suggest that learning is path dependent. Table 5.1 summarises some key variables pertaining to the firms' learning about how to enter international markets. It includes the time needed for each of these five cases enter international markets, the length of their international operations, the targeted markets, the firms' main buyers, their learning channels and references used to guide their internationalisation decisions.

Table 5.1 Summary of within-case analysis: the five cases of Indonesian export manufacturer

	Case 1 WHEEL	Case 2 ELECTRONICS	Case 3 SEA	Case 4 GOLD	Case 5 FURNI
Time to internationalise	From inception	7 years in domestic market and becoming an OEM	From inception	3 years in domestic market	10 years in domestic market before the new organisational form was created
Year of international entry	1984	1987	1994	1992	1970
Length of international experience (years)	24 years	20 years	24 years	15 years	30 years
Target market	Foreign markets	Domestic market	Foreign markets	Domestic and foreign markets	Domestic and foreign markets
Ratio of foreign sales to total sales	95%	20%	90%	60%	80%
Main buyers	Foreign companies abroad	Indonesian companies and foreign OEM partners in Indonesia	Foreign companies abroad	Foreign companies abroad	Indonesian and foreign companies, where foreign companies are linked indirectly through private exporting agencies
Learning channel	Published standards	Own experience and domestic customer that is also a FMNE	Own experience, foreign customers and exhibitions	Foreign expos and foreign customers	Domestic agency and outsource company
Reference to guide international actions	Foreign competitors, Japanese automotive firms	FMNE in domestic market	FMNE in domestic market	Company strategic decision	Government policy

5.3 CROSS-CASE ANALYSIS

The five cases above indicate that firms develop their absorptive capacity about international markets through various channels and use the knowledge to approach international markets differently. This subsection presents cross-case analysis to understand common and unique characteristics of how these Indonesian firms learn about international markets. The within-case analysis above indicates the applicability of the theoretical perspectives used in this study. The cross-case analysis explores further the dimensions of variables, to deepen the understanding of how the cases relate to the model in general.

The cross-case analysis was conducted by exploring the context and variables of internationalisation, because both internationalisation and learning are context specific (Meyer, 2007). This subsection contains four parts. First, it explores the context of internationalisation by investigating industrial policy and competition within industry. Second, it explores the variables related to learning about entering international markets, which include the absorption of knowledge through first- and second-hand experience, as well as the role of age at foreign market entry. Last, it explores the execution of knowledge and the approach taken by Indonesian firms when selecting and entering international markets. A summary of the cross-case analysis concludes the section.

5.3.1 The internationalisation context of Indonesian firms

In order to understand the background of the Indonesian firms' internationalisation, the industrial policy and competition within their industries are explored.

The influence of industrial policy

As is indicated in chapter 2, the Indonesian government launched export oriented policies in the 1980s. This policy was a follow up of the inward direct investment policy launched in the 1970s in labour intensive industries, such as

consumer electronics assembling and car assembling. From 1970s, foreign multinationals entered these two sectors in Indonesia and, from the 1980s, more multinationals targeted both foreign and domestic markets (Aswicahyono & Feridharnusetyawan, 2004, Soesastro & Basri, 2005). The analysis of the influence of industrial policy covers foreign direct investment policy and export oriented policy.

The export oriented policy in the 1980s offered lower taxation rates to manufacturers with high local content products and/or high export volumes. This policy encouraged foreign manufacturers to include more local suppliers for Indonesian firms and opened access for knowledge development. This situation reflects the findings of Kugler (2006) that foreign direct investment creates spill-over within and between industries, when for example FMNEs include local suppliers, and these suppliers further transfer knowledge to their domestic suppliers.

Evidence of knowledge spill-over is clearly found in the WHEEL and ELECTRONICS cases. WHEEL's owner used to work in the automotive industry, in a foreign multinational. In the 1980s, this company shifted the production of some imported components to local suppliers. By working in the foreign multinational, WHEEL's owner improved his understanding about foreign markets and product standards, as well as potential suppliers for WHEEL. When the owner left his job and opened his own business, WHEEL was able to enter international markets from inception and meet the high standard for its products, as it has no difficulties in finding qualified suppliers. At the same time, WHEEL was able to manage good relationships and sharing knowledge with the ex-employer, as it produced complementary products to those of the FMNE.

Similarly, ELECTRONICS demonstrated that acting as an OEM for a Japanese product is useful for technology transfer, specifically with regard to product specification and standard compliances, as the products require

international certification. Although Sjöholm (1999) indicated that foreign direct investment provides technological knowledge spill-over, the learning of ELECTRONICS has not been as effective as that of WHEEL, because ELECTRONICS is juggling its production line to support the company's own brand and market and the OEM's demands.

In addition to the industries such as electronics and automotive that are covered by inward direct investment policy and export oriented policy, the natural based industries are also included within the export oriented policy. This policy targets domestic firms. The FURNI case indicated that, although FURNI's internationalisation was facilitated by the government's bilateral trading policy, it does not consider internationalisation, which it takes simply as a given, as a strategic approach to learning about international markets. Importantly, a culture that supports learning was not developed. As a result, FURNI has insulated itself from learning about international markets, although it has the opportunity to be exposed to foreign demands.

Interestingly, the food and beverage, as well as jewellery, industry has low regulation with respect to its internationalisation. There is no policy intervention in these industries. Firms need to build their capacity through their own efforts in order to realise their exporting goals. SEA and GOLD have dedicated resources to building their firms' capacities to respond to foreign markets. These firms also emphasise their organisational learning cultures. When an export opportunity comes, it can be responded to effectively. For example, when the government offered GOLD the chance to present at an international trade fair and offered a soft loan for SEA, in order to assist these firms obtain international market opportunities, they were able to respond to the opportunities. Such was not the case for FURNI. Although FURNI was protected by various government regulations, it has not developed adequate capacity to respond to foreign markets.

Comparing the two types of industry: those that are included in the government's strategic policy and those that are excluded it, it is reasonable to assume that firms in strategic industries, such as WHEEL, ELECTRONICS and FURNI, should have better access to learning. However, the case studies indicated that learning about international markets depends on how the organisation values exporting in its own strategic context. When the firm takes exporting seriously, it dedicates resources to support export markets, which enables high absorption of knowledge from the government policy intervention. This is what happened in the WHEEL case. ELECTRONICS should also be able to learn about the technical aspects of international production systems through its foreign partner. However, unlike the situation within WHEEL, ELECTRONICS' unclear commitment to international markets has prevented its absorptive capacity development from being maximised. FURNI, as an SOE within a strategic export industry would have been expected to benefit the most from transfer of knowledge. Yet its knowledge absorption was limited, due to a lack of synergy between its strategic and operational support.

In general, this study argues that an organisational learning culture supports the development of a firm's absorptive capacity. For firms operating at the extremes with respect to export regulation (either regulated or unregulated), such as FURNI and SEA (regulated) and GOLD (unregulated), organisational learning appears to control the firm's development of capability with respect to dealing with foreign market opportunities. SEA's and GOLD's internationalisation developed quickly, due to the strong learning cultures in the companies, while FURNI has a very underdeveloped organisational learning culture. Its bureaucratic approach limits the firm's ability to grasp international opportunities, despite the fact that the industry is highly protected and regulated.

Table 5.2 summarises the extent of learning in each company, as related to industrial policy and the firm's strategy. In this and similar figures in this

chapter, the number of dots in each cell reflects the amount of learning occurring in the organisation.

Table 5.2 Industrial policy and Indonesian firms' internationalisation

	Case 1 WHEEL	Case 2 ELEC- TRONICS	Case 3 SEA	Case 4 GOLD	Case 5 FURNI
Inward direct investment policies facilitated spill-over of knowledge from foreign MNNs in Indonesia to Indonesian firms	●	●			
Export oriented policy improved exporting decision, which opened the way to learn about international market	●	●			●
The firm's exporting strategy advanced the learning process in the firm	●		●	●	

Competition in the domestic market

Firms learn through various channels for internationalisation (Gabrielsson & Kirpalani, 2004). As firms in the market are interconnected (Johanson & Mattsson, 1988, Johanson & Vahlne, 2009), exploring the competition within an industry may shed light on how firms strategically decide their learning paths about international markets. This study distinguishes three types of competition, based on the players in the industry: mainly foreign multinationals, mainly domestic firms or a mix of foreign and domestic firms.

The electronics industry in Indonesia is dominated by consumer electronics manufacturers. Both foreign and local firms are competing in the same domestic market, while foreign firms predominate in overseas markets. The automotive industry is dominated by foreign firms, and local firms are mostly suppliers of these foreign multinationals. The food and beverage, jewellery and furniture industries are dominated by local firms.

The automotive industry, where WHEEL operates, consists mainly of foreign MNEs (FMNEs). Competing against these FMNEs is difficult, and therefore WHEEL chose to enter a niche, un-served market of this industry. WHEEL manufactures complementary products for Japanese cars. WHEEL updates its knowledge through published standards and suppliers that serve these Japanese car manufacturers. Indeed, since WHEEL is producing complementary products, the company has found it relatively easy to access knowledge from local suppliers that serve the Japanese firms. In addition, with a ‘follow the leader’ strategy, WHEEL investigated the movements of Japanese car manufacturers and followed their choice of and time to entry for international markets.

ELECTRONICS is situated in an industry that consists of a mix of foreign and domestic players. Firms that operate in this industry have the option to become OEMs. Becoming an OEM may provide access to technological and market knowledge, as well as business practices. The OEM firms cannot produce similar products to the supplied firms. On the one hand, ELECTRONICS saw market potential, while, on the other hand, becoming an OEM would make the company highly dependent on its customers. Therefore, ELECTRONICS decided to maintain both foreign and domestic markets, and manufacture both the OEM brand and its own brand. ELECTRONICS finds that this strategy allows it to exploit knowledge that has been absorbed from its customers as well as knowledge that has been obtained by its own experience in both the domestic and export markets. In addition, ELECTRONICS established a joint research centre with a counterpart in a country different from the existing OEM supplied firms, in order to reduce its dependency and develop its knowledge about markets.

SEA, GOLD and FURNI operate in industries with mainly domestic players. SEA stated that, when the domestic market provides limited channels for learning about foreign markets, firms themselves need to invest in direct learning. SEA invited foreign buyers to visit them for knowledge sharing, as

well as themselves visiting foreign customers for the same purpose. SEA manufactures products under customers' brands, to obtain the sense of foreign markets. GOLD regularly visited target markets and focused on wholesalers in order to establish regular communication with them. FURNI, on the other hand, did not have a strategic learning scheme. As a consequence, its internationalisation was stagnant and only made possible through government intervention.

Larsson et al. (1998) identified that inter-organisational learning includes the receptivity to learning from both parties as well as transparency between firms involved in the transfer of knowledge. The SEA and GOLD cases indicate that these firms have actively invited their buyers to be partners in the learning process. Such collaborative learning strategies became possible because, first, both SEA and GOLD had resources dedicated for this learning process, as shown by their marketing structure which separated domestic and foreign market divisions. Second, the organisational learning culture of these firms appears to foster knowledge development. Larsson et al. (1998) claim that, when an organisation is motivated towards learning and the environment supports collective learning, the organisational culture can improve the receptivity to input from others, such as inter-organisational activities or communication within the organisation. Essentially, the culture facilitates the creation of new knowledge.

In general, the cases are those of firms that operate in context with different levels of competition, and compete against different types of players, e.g., foreign or domestic export manufacturers. A supplier may provide product to more than one buyer in an industry. When a firm considers buyer-supplier relationships to be especially valuable, it may have more opportunity to benefit from inter-organisational learning. However, competition in an industry may limit the firm's access to the supplier, one of the key sources of knowledge. Therefore, relationships between buyers and suppliers may allow firms to learn, but may also limit the firm's ability to learn from the

relationships. For example, WHEEL learned about potential markets by investigating Japanese car producers. ELECTRONICS learned about product technology directly from its OEM partners and foreign buyers. SEA and GOLD learned about market requirements from their foreign customers. SEA also learned about standards from foreign customers, while FURNI learned through government intervention.

Table 5.3 summarises the characteristics of competition within industries in Indonesia and how each of these five firms learns about international markets strategically and operationally.

Table 5.3 Industrial competition and learning strategy

	Case 1 WHEEL	Case 2 ELEC- TRONICS	Case 3 SEA	Case 4 GOLD	Case 5 FURNI
Industry consisted of foreign firms. Learning was conducted by becoming a manufacturer of complementary products.	●				
Industry consisted of both foreign and domestic firms. Learning was conducted by managing the presence in both foreign and local markets, using both others' and own brands.		●			
Industry consisted of mainly domestic firms. Learning was conducted by investing in the development of relationships with foreign buyers.			●	●	
Industry consisted of mainly domestic firms. Learning was conducted through government intervention.					●

5.3.2 The learning process

Organisational learning theory suggests that firms may learn from their own experience and from the experience of others (Huber, 1991). International business studies indicate that, through experience, firms learn about international markets and institutions, and obtain business knowledge (Eriksson, Johanson, Majkgard, & Sharma, 1997). The absorptive capacity literature, for its part, indicates that firms need market, technological (Petersen, Pedersen, & Lyles, 2008) and social knowledge (Rhee, 2008, Yeoh, 2004) in order to support their international operations.

The international business literature emphasises buyer-supplier relationships as a channel for learning from others, while organisational learning studies recognise both buyer-supplier and non buyer-supplier relationships as channels for accessing knowledge.

Huber (1991) and Tsang (2002) maintain that firms learn both from actual experience and vicariously. The latter is the way in which organisations obtain knowledge about strategy, management practice and technology adopted by other organisations (Tsang, 2002). Vicarious learning indicates learning from second-hand experience. This subsection explores the types of knowledge obtained through first-hand experience, and the types and channels for learning from second-hand experience.

Learning from first-hand experience

Foreign market knowledge is knowledge obtained through experiences abroad (Eriksson, Johanson, Majkgard, & Sharma, 1997). Eriksson and Chetty (2003) argue that foreign market knowledge covers the understanding of how businesses are connected in a market. This knowledge includes not only how the relationships between buyers and suppliers are created but also how buyers and suppliers are connected to other actors in the market. Such knowledge is critical in international business activities, as it allows firms to understand about competition, technology and other matters necessary to maintaining

ongoing international business relationships (2003, p.674). The assumption is that, the more experience the firm has with its customers, such as in dyadic relationships, the more it understands about its customers' networks and interconnected business relationships. The management literature, on the other hand, stresses that learning may be framed by the firm's strategy and structure (Kuwada, 1998). The strategy of a firm may define how its structure develops and how knowledge flows within and between organisations.

WHEEL has adopted a follow the leader strategy when entering international markets. This firm refers heavily to a Japanese FMNE in the domestic Indonesian market. ELECTRONICS is a reputable Indonesian firm that enhances its innovation by referring to foreign firms both in Indonesia and abroad. WHEEL's decision to manufacture products complementary to Japanese cars, and ELECTRONICS's decision to dedicate part of the factory for OEM have provided these firms ways in to understanding more about foreign markets and the interconnected relationships in those markets.

SEA and GOLD are leading Indonesian exporting firms from the food and beverage and metal industries, respectively. Their home markets are dominated by domestic players. These firms recognise that their overseas experiences have deepened their understanding about international markets, as they have no local reference for understanding how business is connected in their industry, outside of the domestic environment.

Foreign institutional knowledge pertains to the understanding of the legal and social system of exporting, such as customs, regulations for product compliance and the industrial organisational environment with which companies must deal when they operate abroad. As with foreign business knowledge, when firms have no reference to guide their action, first-hand experience is arguably the best way to develop foreign institutional knowledge. The WHEEL and ELECTRONICS cases indicate that foreign multinationals in the domestic market can be valuable sources of foreign

institutional knowledge, but firms may understand more when they export by themselves. Firms may know about the foreign institutions, in theory, but they understand more about acceptable approaches when they are actually exporting. SEA and GOLD, which had no reference firms to prepare them for entering international markets, developed their institutional knowledge through actual exporting. Indeed, the value of experience in the development of institutional knowledge can also be observed in less experienced firms. FURNI exports through export agencies, which involves layers of bureaucracy. The firm acknowledges that it does not know much about which institutions it should approach or the procedures for exporting abroad. FURNI's internationalisation is highly dependent on the exporting agencies.

International business knowledge covers the understanding of how to manage international operations effectively. The WHEEL case indicates that, by combining both a follow the leader strategy and its experience abroad, the firm obtained the necessary international business knowledge. ELECTRONICS, on the other hand, develops both its own brand and other brands. The power dependency between ELECTRONICS and its main customer limits the ability of the company to further its knowledge about international operations. When a firm is managed independently, as are SEA and GOLD, experience abroad provides understanding about international business knowledge. These firms then employ this knowledge to expand their international markets. In this way they both use and at the same time upgrade their international business knowledge. However, when internationalisation is conducted by an agent, such as in the FURNI case, the company has no direct interaction with foreign customers, and that lack of experience impedes understanding about the details of international business. FURNI has not been able to use the experience from entry into one market to manage effectively exporting to other markets.

Table 5.4 summarises how in the five case firms international experience facilitates the firm's absorptive capacity development with respect to foreign

market knowledge, foreign institutional knowledge and international business knowledge. With respect to foreign market knowledge and foreign institutional knowledge, WHEEL learns by investigating Japanese automobile manufacturers (second-hand learning) and through direct contact with distributors abroad (experiential learning). ELECTRONICS learns similarly through an OEM partner in Indonesia (second-hand learning) and direct contact with overseas customers (experiential learning). Thus, these firms have two types of experiential knowledge. SEA and GOLD have no reference from which to learn about markets, institutions and business in order to support their exporting. These firms have learned by doing, from their own experience. The intensity of their first-hand learning about foreign markets and about foreign institutions is represented by three dots in the table. FURNI learns about exporting indirectly through exporting agencies. Its experience in dealing with foreign customers and foreign institutions is consequently the least of the five cases studied. With respect to international business knowledge, WHEEL and ELECTRONICS with their reference to foreign operations gained through managerial experience or the involvement of an OEM partner, have three dots reflecting the extent of that knowledge.

Table 5.4 Experiential knowledge of five firms in various industries

	Case 1 WHEEL	Case 2 ELEC- TRONICS	Case 3 SEA	Case 4 GOLD	Case 5 FURNI
Foreign market knowledge	●●	●●	●●●	●●●	●
Foreign institutional knowledge	●●	●●	●●●	●●●	●
International business knowledge	●●●	●●●	●●	●●	●

Learning from second-hand experience

The organisational learning literature acknowledges the potential for learning from second-hand experience (Gabrielsson & Kirpalani, 2004, Nonaka & Konno, 1998). This study distinguishes learning from second-hand experience according to two different relationships: buyer-supplier relationships and non buyer-supplier relationships.

Organisational learning happens at two levels: first- and second-order (Fiol & Lyles, 1985). First-order learning concerns the firm's routine adjustments, in which it detects and corrects actions, following its own set of assumptions and beliefs. Second-order learning, on the other hand, refers to changing the existing theories in use by the firm. Second-order learning involves strategic, rather than incremental, changes. Murray (2002) indicates that higher level learning happens in the activities that relate to new concepts and new thinking.

The five cases in this study reflect the situation that firms may manufacture and export products that are either standardised or customised. WHEEL and FURNI produce standardised products. GOLD manufactures products based on collaborative design. ELECTRONICS and SEA manufacture customised products, based on customer's requests and specification. Thus, in terms of learning and adaptation, WHEEL and FURNI engage in relatively less second-order learning than the other three case firms, as their products follow established standards. In contrast, ELECTRONICS and SEA engage heavily in second-order learning.

In order to update their knowledge and use it to support their learning process, firms may learn from relationships with buyers and suppliers or from non buyer-supplier relationships. The WHEEL case indicates that both suppliers and FMNEs in the domestic market can facilitate the firm's learning about markets, institutions, technology and international business. WHEEL also learns from published standards. ELECTRONICS obtains raw materials from its sister companies in Indonesia and China. It does not benefit from the contribution of suppliers to the firm's knowledge about entering international markets, as the sister companies' products are supplied only to ELECTRONICS. The OEM partner of ELECTRONICS facilitates the firm's upgrading of its technology, while other international buyers facilitate ELECTRONICS' understanding about market demands and trends, as ELECTRONICS manufactures customised products based on intensive communication with their buyer. The suppliers to SEA and FURNI are purely

domestic firms. SEA considers that its relationships with buyers facilitate its understanding about foreign markets and institutions. FURNI deals with domestic agents and produces standardised products. The firm does not learn from its buyer-supplier relationships nor its agents, but rather through government intervention, such as pressure from the government to maintain the export market. GOLD buys materials from the open market, both domestically and internationally. As its suppliers are not always the same, GOLD considers that they can only provide fairly minimal input about market information, through the fluctuating price, and are not able to help with technology. SEA and GOLD consider domestic suppliers are not relevant to the learning process for internationalisation, as these suppliers focus on the domestic market. In addition to learning from buyer-supplier relationships, GOLD learned about international markets from the government, through the initial facilitation to join a foreign expo, while SEA has learned about financing international operations through access to export credit. See table 5.5.

Table 5.5. Learning from second-hand experience in buyer-supplier and non buyer-supplier relationships

	Case 1 WHEEL	Case 2 ELEC- TRONICS	Case 3 SEA	Case 4 GOLD	Case 5 FURNI
Learning from buyers		●	●	●	
Learning from suppliers	●				
Learning from FMNEs in the domestic market	●	●			
Learning from non buyer-supplier relationships (e.g., government, research institutes)		●	●	●	●
Learning through proactive actions (internet, exhibition, published standards, conferences and seminars)	●		●	●	

In summary, the cases indicate that, for learning to happen from second-hand experience, intensive communication between the source and the recipient of knowledge is necessary, consistent with Tsang (2002) and Lane and Lubatkin (1998). The communication allows for confirmation of understanding and direct feedback of what is learned.

Variation in the learning behaviour

International business studies have found that, the less experienced the firm in the market, the more easy it is for the firm to absorb knowledge about international markets (Sapienza, De Clercq, & Sandberg, 2005). Inexperienced firms do not need to unlearn, which can save time. This argument supports the phenomenon of fast growing born globals (Autio, Sapienza, & Almeida, 2000). Table 5.6 summarises the case firms' age at entry and their learning about entering international markets.

Table 5.6 Age at entry and learning about international market

	Case 1 WHEEL	Case 2 ELEC- TRONICS	Case 3 SEA	Case 4 GOLD	Case 5 FURNI
Learning about international markets from inception. Foreign sales more than 85 %	●		●		
Learning about international markets after three years operating in domestic market. Foreign sales 60%				●	
Learning about international markets after more than seven years operating in the domestic market. Foreign sales less than 20%.		●			
Learning about international markets after more than 10 years operating in the domestic market. High foreign sales (80%) can be achieved through policy intervention.					●

WHEEL and SEA entered international markets from inception. Their international sales ratios are 95% and 90%, respectively. These firms entered the international market boldly and unburdened by learning from the domestic market. Although SEA failed in its first international entry, the firm considered this experience as part of the process of learning. The organisational learning literature indicates that organisational learning sometimes fails because firms may over-sample success and under-sample failure as their reference for further learning (Levinthal & March, 1993). The SEA case suggests that, as the firm had no previous experience in the market, it had limited reference for its learning. The only way to be successful in the market was by maintaining the organisational learning culture so that the firm could upgrade its knowledge. ELECTRONICS, on the other hand, had seven years of operation in the domestic market before it entered the international market. When the foreign market demanded more commitment, in terms of human resources and capital, the firm needed to balance its commitment to the foreign and domestic markets. Experience from domestic operations provided knowledge about the Indonesian market for ELECTRONICS, and gave the firm more confidence with managing in the domestic market, rather than foreign markets. Levinthal and March (1993) maintain that routines create confidence and skill. The case of ELECTRONICS suggests that its previous performance in the domestic market had developed particular market logic in the firm's operations. However, working in foreign markets is different. Although ELECTRONICS frequently received awards from their customers, these awards still did not convince the firm of its capabilities in the foreign market. ELECTRONICS still perceives risk of the unknown in operating abroad and may need to undertake some unlearning of its existing beliefs. Therefore, ELECTRONICS has limited itself from exercising some of its foreign market options. The firm's foreign sales ratio is only 20%. FURNI, which had 10 years of experience at the age of its international entry, achieved an 80% foreign sales ratio, because of government regulation and the company's status as a SOE. However, the rigid structure of the company limited FURNI's ability to learn about international markets. The finding

supports the argument that, with respect to international market, firms with less domestic experience learn faster than those with more domestic experience.

5.3.3 The execution of knowledge

Institutional theory stresses that a firm needs legitimacy to operate in a market (DiMaggio & Powell, 1983). By investigating FMNEs in the domestic market, WHEEL and ELECTRONICS learned about how firms expand abroad. Firms learn by assessing their capabilities and comparing them with those of their competitors, the FMNEs in this situation, with respect to products, quality, delivery, networks, management and financial support. Firms also need to realise that they are new players in the market. Therefore, breaking into existing business networks may not be easy, unless there is an un-served demand. By producing fancy alloy wheels and following the countries entered by Japanese FMNEs in a similar industry, WHEEL believes that it was able to reduce the risk of failure and internationalise in a cost efficient manner.

ELECTRONICS realised that competing against well established Japanese companies, the OEM licensors, was risky. The MNEs' business networks were well established, and a new entrant, with lack of reference, would face difficulty in breaking into existing business relationships (Johanson & Mattsson, 1988). ELECTRONICS tried to find a niche market. The company saw that in Indonesia the FMNEs were targeting the large population with mass products, and sensed that customising products with existing technology might open a market. ELECTRONICS followed the Japanese firms' approach to develop an assembly operation and target the European market, with customised products. ELECTRONICS established a joint venture with a company in Europe, to develop the Scandinavia Audio Research Center, which not only conducts technological research but also acts as a small assembly plant for customised products.

GOLD learned about market trends through international jewellery exhibitions. The report of transactions from event organisers was used by the firm as input for setting up its internationalisation strategy. GOLD identified its foreign competitors and followed these competitors' country selections. In a new market, GOLD approached potential buyers using their previously-proven approach, by establishing relationships with key wholesalers for the region.

SEA's internationalisation process faced a number of industry-specific challenges. Food products are assessed through both appearance and taste. Overseas preferences with respect to taste and appearance may differ from local preferences. SEA's decision to carefully select its exporting targets was therefore critical. This finding fits with Huang and Sternquist's (2007) argument that the internationalisation decision covers country selection, mode of entry, and timing. While food manufacturers from Thailand dominate the Asian food market, SEA investigated the largest market for the Thai producers, the U.S. In order to beat the competition, SEA approached U.S. companies to produce the products with the customers' brand, and invited potential new customers to inspect the factory. This approach is widely adopted by Indonesian firms for convincing their overseas-based importing agencies of their quality and capabilities.

In defining its entry mode, FURNI adopted domestic firms' approaches to entering international markets. It took as its reference the Indonesian firms that had become suppliers for IKEA. Supplying to this large MNE allows firms to adopt an indirect approach to international markets.

Table 5.7 The influence of environment on the internationalisation of Indonesian firms

	Case 1 WHEEL	Case 2 ELEC- TRONICS	Case 3 SEA	Case 4 GOLD	Case 5 FURNI
Follow country selections of FMNEs	●				
Follow country selection of foreign competitors			●	●	
Follow mode of entry of FMNEs in Indonesia		●			
Follow mode of entry of domestic firms			●		●
Follow the timing of foreign competitors and FMNEs	●				

5.3.4 Summary of cross-case analysis

The qualitative analysis led to three important findings and inputs for the quantitative study. First, three types of knowledge are necessary for internationalisation: knowledge about markets, technology, and international business strategy. Second, sources of second-hand learning includes buyers, suppliers, FMNEs in the domestic market, foreign competitors, exhibitions, research institutes, published standards and the government. Third, firms refer to particular actors with respect to different approaches. Therefore, in exploring the mimetic behaviour of the firm, it is important to identify both the reference and the referral of the firm's action. These findings are explored in the data collection and analysis in the quantitative portion of the study.

5.4 SUMMARY OF THE QUALITATIVE COMPONENT

The qualitative portion of the study was conducted to pre-test the hypotheses developed in chapter 3 and provide inputs for the development of the questionnaire used to collect primary data for the quantitative phase. The within-case analysis indicates that the internationalisation process model, organisational learning and absorptive capacity theory, as well as institutional theory, are complementary for explaining the learning process of Indonesian firms about how to enter international markets. The cross-case analysis

indicates several actors are involved in the firm's learning about international markets, including FMNEs in the domestic Indonesian market, suppliers, buyers, the government, foreign exhibitions, and published standards. This finding enriches the current literature by identifying foreign and local actors, where earlier literature had generally considered just buyers and suppliers.

The cross-case analysis also indicates that Indonesian firms follow others, in terms of market selection and entry mode. Importantly, the qualitative portion of the study identifies the references of the firm: FMNEs, foreign competitors, and domestic firms. Again, the findings are used to refine the hypotheses used to test the model and to add to the questionnaire development.

CHAPTER SIX

QUANTITATIVE ANALYSIS

This section presents the survey results and analysis of 103 responses from a self administered postal survey. First, descriptive results are presented to convey an initial understanding about the variables in this study, followed by modelling that investigates the two main questions of the study: how Indonesian firms absorb knowledge about entering international markets (hypotheses 1-7) and how Indonesian firms use the knowledge to approach international markets (hypotheses 8-9). Last, a summary of the hypothesis testing is presented.

6.1 DESCRIPTIVE ANALYSIS

Field (2005) suggests that gaining an understanding of the data is a necessary precursor to statistical analysis. This step is conducted to give the researcher familiarity with the sample data in terms of location, variation and distribution, and to identify and correct any data entry errors.

This study is concerned with the behaviour of Indonesian firms with regard to their learning about entering international markets. As indicated in chapter 4, this study adopts previously validated measures when available. Most of the behavioural variables in this study were measured using seven-point Likert scales. They were treated effectively as continuous variables, following standard practice in the international business literature. Other variables were measured using more purely continuous scales, such as the number of countries entered, the most psychically distant exporting country and the number of years the firm had been involved in exporting. These variables were all relatively normally distributed. Such normality in the responses is helpful, but not necessary, for explanatory variables in regression, and important for dependent variables. This study found that one control variable, the size of the company, demonstrates a skewed sample distribution, with more responses toward the high end of the scale. In order make the data more useful in regression modelling, the natural logarithm was used to transform this variable.

The technology and organisational structure variables are categorical. This study was responded to by 83 firms from low-tech oriented industries and 19 firms from high-tech oriented industries. One respondent did not indicate the industry in which its firm operated.

In addition, there were 58 firms from the sample that adopted a functional structure, while seven firms adopted a divisional structure and 33 firms adopted a matrix structure. Initially, two dummy variables related to organisation structure were included in the models, to represent three types of

organisational structures: functional, matrix and divisional. However, these dummy variables were highly related. Therefore, this study chose the most adopted structure – the functional structure – and created a single dummy variable associated with organisational structure. The use of this single dummy variable to represent organisational structure was necessary to avoid multicollinearity, which may disturb the estimation of the model and the interpretation of the coefficients. The organisational structure dummy variable is operationalised such that value of 1 indicates that the organisation has functional structure, while the value of 0 indicates that the organisation structure is either matrix or divisional. A summary table of the independent, dependent and control variables can be seen in table 6.1.

Table 6.1 Summaries of key variables in the study

	N	Min	Max	Mean	Median	Std. Dev
International experience (measured by three indicators)						
- Country experience (factor), which consists of	97	-1.09	4.29	0.00	-0.267	1.00
Number of countries entered	97	1	53	8.24	5.00	8.20
The most psychically distant exporting country	97	1	11	4.00	3.00	2.45
- Sales ratio	95	2	100	72.20	90.00	31.75
- Length of exporting	98	2	33	16.14	16.00	7.36
Absorptive capacity about						
- Markets	99	1	7	4.96	5.25	1.38
- Operational technology	95	1	7	4.44	4.67	1.49
- Strategic technology	91	1	7	5.04	5.00	1.61
- International business (IB) strategy	95	1.33	7	4.88	5.00	1.29
Contribution of main buyers to the development of absorptive capacity about						
- Markets	94	1	7	4.87	5.00	1.53
- Operational technology	90	1	7	4.35	4.67	1.58
- Strategic technology	88	1	7	4.39	5.00	1.81
- International business (IB) strategy	91	1	7	4.33	4.67	1.62
Contribution of main suppliers to the development of absorptive capacity about						
- Markets	88	1	7	3.44	3.71	1.77
- Operational technology	87	1	7	3.18	3.00	1.79
- Strategic technology	86	1	7	3.73	4.00	2.10
- International business (IB) strategy	87	1	7	3.37	3.33	1.89

	N	Min	Max	Mean	Median	Std. Dev
Contribution of domestic competitors to the development of absorptive capacity about						
- Markets	90	1	7	3.99	4.29	1.69
- Operational technology	87	1	7	3.41	3.67	1.64
- Strategic technology	87	1	7	3.90	4.00	1.86
-International business (IB) strategy	88	1	7	3.77	3.83	1.83
Contribution of foreign competitors to the development of absorptive capacity about						
- Markets	87	1	7	4.13	4.75	1.86
- Operational technology	88	1	7	3.83	4.00	1.86
- Strategic technology	86	1	7	4.07	4.50	2.04
- International business (IB) strategy	85	1	7	3.94	4.00	1.89
Contribution of foreign multinational enterprises (FMNEs in Indonesia) to the development of absorptive capacity about						
- Markets	90	1	7	3.19	3.00	1.83
- Operational technology	88	1	7	3.04	2.83	1.74
- Strategic technology	87	1	7	3.29	3.00	1.96
- International business (IB) strategy	90	1	7	3.27	3.00	1.88
Contribution of universities / research institutes to the development of absorptive capacity about						
- Markets	94	1	7	2.28	2.00	1.48
- Operational technology	90	1	7	2.24	2.00	1.49
- Strategic technology	89	1	7	2.65	2.00	1.81
- International business (IB) strategy	90	1	7	2.29	2.00	1.49
Contribution of government to the development of absorptive capacity about						
- Markets	93	1	7	2.97	2.75	1.61
- Operational technology	90	1	7	2.73	2.33	1.56
- Strategic technology	89	1	7	2.84	2.00	1.66
- International business (IB) strategy	91	1	7	2.95	2.67	1.62
Contribution of attending conferences/business seminars to the development of absorptive capacity about						
- Markets	91	1	7	3.75	4.00	1.75
- Operational technology	90	1	7	3.55	3.83	1.70
- Strategic technology	89	1	7	3.79	4.00	1.84
- International business (IB) strategy	91	1	7	3.64	4.00	1.72
Contribution from attending local exhibitions to the development of absorptive capacity about						
- Markets	94	1	7	3.95	4.00	1.82
- Operational technology	89	1	7	3.69	4.00	1.81
- Strategic technology	89	1	7	3.97	4.00	1.91
- International business (IB) strategy	90	1	7	3.79	4.00	1.82

	N	Min	Max	Mean	Median	Std. Dev
Contribution from foreign exhibitions to the development of absorptive capacity about						
- Markets	90	1	7	4.81	5.37	1.87
- Operational technology	85	1	7	4.36	5.00	1.74
- Strategic technology	84	1	7	4.49	5.00	1.83
- International business (IB) strategy	86	1	7	4.48	5.00	1.79
Contribution from published standards to the development of absorptive capacity about						
- Markets	85	1	7	4.01	4.00	1.72
- Operational technology	83	1	7	3.76	4.00	1.77
- Strategic technology	85	1	7	3.99	4.00	1.79
- International business (IB) strategy	83	1	7	3.85	4.00	1.74
Speed of learning about						
- Markets	93	1	9	2.74	2.25	1.71
- Operational technology	81	1	9	3.08	2.33	1.99
- Strategic technology	82	1	9	2.91	2.00	1.94
- International business (IB) strategy	89	1	9	3.05	2.67	1.88
The extent of mimicking domestic competitors, foreign competitors and FMNE in Indonesia about						
- their country selections	95	1	7	3.24	3.00	1.57
- their entry modes	94	1	7	3.14	3.00	1.65
- their times of entry	94	1	7	3.02	2.67	1.67
The extent of mimicking country selection, entry modes and times of entry from						
- Domestic competitors	95	1	7	3.39	3.00	1.88
- Foreign competitors	94	1	7	3.36	3.00	1.88
- FMNEs in Indonesia	94	1	7	2.71	2.00	1.78
Control variables						
- Size of the firm (natural log)	93	1.79	10.31	5.53	5.70	1.60
- Learning culture	98	2.50	7	5.88	6.00	1.05
- Competitiveness	98	2.29	7	4.79	4.86	0.99

These univariate summaries did not reflect association between variables. Additional statistical analyses were conducted to assess the relationship between dependent variables and specified explanatory and control variables. The results of these analyses are presented in the remainder of this chapter.

As shown in table 6.1, international experience is measured by three variables: country experience, sales ratio and length of exporting. Country experience is a factor created from two items: the number of countries entered and the farthest market based on psychic distance between Indonesian and the targeted country. Sales ratio is operationalised as the ratio of foreign sales to total sales,

and the length of exporting is represented by the number of years the firm has spent in exporting. In this study of active manufacturing exporters, the length of exporting was computed by deducting the year of the firm's first export from the data collection year of 2008. On average, the responding firms entered just over eight countries, ranging from countries that are psychically very close to Indonesia (a psychic distance measure of 1 indicates South East Asian countries, the psychically nearest countries to Indonesia) to countries that psychically far from Indonesia (11 indicates African countries, the psychically farthest countries to Indonesia). The sales ratio ranged from 2% to 100%, or an average of 72.20%. The sample firms had been exporting for at least two years, with a maximum 33 years, and an average of over 16 years.

This study asked respondents to indicate their levels of absorptive capacity. These firms, in general, consider they understand a reasonable level of absorptive capacity about foreign markets, operational technology, and international business strategy, as demonstrated by sample mean responses on the absorptive capacity (AC) variables of at least 4.44 on seven-point scales where the higher the score, the stronger the firm's self-reported absorptive capacity. This study also asked respondents to what extent their absorptive capacity was contributed to by others, such as suppliers, customers, foreign competitors, FMNEs in Indonesia, government, conferences, exhibitions and published standards. These all indicate absorptive capacity development from second-hand experience. Descriptive statistics for the respondents' evaluations of the contribution of second-hand experience to their firms' absorptive capacity can be seen in the corresponding rows of table 6.1.

Speed of learning was also investigated, by asking respondents about the years needed, following their international entry, to obtain their current level of absorptive capacity. This question was measured using an ordinal scale. The responses indicate that the firms in the sample achieved their knowledge over periods ranging from less than 1 year (as indicated by the value of 1) to more than 15 years (as indicated by the value of 9), with the mean and median

values in the 3-5 year range; lower values for this variable suggest faster learning.

The behaviour of Indonesian firms in entering international markets was assessed by asking the respondents about the extent to which their action followed others' actions. The responding firms indicated that their international behaviour varies, from no mimicking of others (1) to a great deal of mimicking (7).

The analysis involved three control variables: size of the firm, learning culture and perceived competitiveness. As is indicated in chapter 4, the number of employees of responding firms varies considerably. The natural log transformation has been utilised to normalise the data. The responding firms all report having introduced learning cultures into their companies to some extent, as indicated by the minimum response of 2.5 on a 1-7 scale, in which 1 indicates very low adoption of organisational learning culture. Similarly, on average, the responding firms perceive their competitiveness to exceed that of their industries, as is indicated by the sample mean of 4.79.

In this study, variance inflation factors (VIFs) are used to assess multicollinearity among explanatory variables in a model. This study adopts the convention that VIF scores below 3.0 provide confidence that multicollinearity is not creating problems with model estimation and interpretation. In order to understand the power of explanatory variables subject to high collinearity, iterative regressions were conducted as needed. Ordinary least squares (OLS) was employed to estimate each model, with residual analysis conducted for each estimated model, to identify potential issues in the fitting of the sample data and to examine the residuals for non-constant variance (heteroscedasticity) or lack of independence, which would impair the use of the model for inference (Hair, Anderson, Tatham, & Black, 1998).

6.2 HOW INDONESIAN FIRMS ABSORB KNOWLEDGE ABOUT ENTERING INTERNATIONAL MARKETS

In order to understand how Indonesian firms develop their knowledge about entering international markets, this subsection tested hypotheses 1-7, developed in chapter 3.

6.2.1 First-hand experience and absorptive capacity

Hypothesis 1 predicts that international experience is positively related to absorptive capacity among Indonesian firms. The models used to test this hypothesis include independent variables pertaining to international experience and dependent variables pertaining to absorptive capacity.

International experience is operationalised using three measures: country experience, sales ratio and length of exporting. This multidimensional approach allows for a more nuanced assessment of the relationships of interest.

Similarly, absorptive capacity is measured by four dimensions, employed separately because factor analysis did not result in a single construct. The four measures of absorptive capacity reflect knowledge about markets, operational technology, strategic technology, and international business strategy. Regression analysis was conducted with each of these four dimensions of absorptive capacity as the dependent variable.

Table 6.2 summarises the regression results for the four dimensions of absorptive capacity - markets, operational technology (Opr tech), strategic technology (Strat tech) and international business strategy (IB strategy) - predicted using firms' own international experience and control variables.

Table 6.2 Regression results of absorptive capacity on first-hand international experience (Standard errors in parentheses)

Dependent variable (AC dimension)	Market	Opr tech	Strat tech	IB strategy
Constant	-1.434 (1.017)	0.228 (1.307)	0.745 (1.509)	0.070 (1.050)
Independent variables:				
- Country experience	-0.033 (0.150)	0.035 (0.196)	-0.173 (0.220)	-0.116 (0.158)
- Sales ratio	0.016*** (0.004)	0.010* (0.006)	0.011 (0.007)	0.005 (0.005)
- Length of exporting	0.009 (0.019)	0.009 (0.025)	-0.029 (0.027)	0.013 (0.020)
Control variables:				
- Technology	0.629* (0.359)	0.598 (0.457)	0.717 (0.515)	0.085 (0.367)
- Employee (natural log)	0.047 (0.093)	0.052 (0.119)	0.215 (0.136)	0.038 (0.099)
-Functional structure	0.145 (0.281)	-0.282 (0.364)	-0.352 (0.414)	-0.104 (0.289)
- Learning culture	0.716*** (0.145)	0.456* (0.183)	0.578** (0.208)	0.550*** (0.148)
- Competitiveness	0.056 (0.147)	0.092 (0.194)	-0.110 (0.216)	0.153 (0.152)
Model significance (F-test)	0.000	0.022	0.043	0.001
R^2	0.454	0.235	0.221	0.325
R^2_{adj}	0.389	0.140	0.118	0.240
N	75	72	69	72
Highest VIF score	1.465	1.437	1.394	1.457

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The low VIF values indicate that multicollinearity is not affecting any of the models, and residual analysis reveals no evidence of non-constant variance (heteroscedasticity) or lack of independence. The regression results in table 6.2 indicate that, of the international experience measures, only sales ratio, which is measured by the ratio of foreign sales to total sales, is significantly positively related to the firm's absorptive capacity development with respect to markets ($p < 0.01$) and operational technology ($p < 0.10$). Other forms of international experience, such as country experience and length of exporting, do not offer marginal explanatory power for the firm's development of absorptive capacity, based on the sample. In addition, among the control variables, firms in high-tech oriented industries have, on average, higher absorptive capacity related to markets. The presence of a stronger organisational learning culture is positively associated with the firm's ability to absorb knowledge.

Thus, the firm's own experience or first-hand experience, displayed a significant relationship with two of the four dimensions of the absorptive capacity: markets and operational technology. Therefore, this study found partial support for H1, particularly with respect to sales ratio.

It should be noted that incomplete responses to various questions result in some variation in the sample sizes for the various regression models.

6.2.2 Buyer-supplier relationships and absorptive capacity

This study considers the potential for firms to learn from both their own (first-hand) and others' (second-hand) experience. Second-hand experience, in this study, is distinguished into two aspects: the contribution of buyer-supplier and non buyer-supplier relationships.

Hypotheses 2a and 2b predict that the firm's absorptive capacity is positively related to the extent of its relationships with buyers and suppliers. Similar to the analysis pertaining to hypothesis 1, regression of each of the four dimensions of absorptive capacity on the contributions of buyers and suppliers was conducted. The results can be seen in table 6.3. As previously mentioned, the regression was iterated to reach the VIF values low, all below 3, to ensure that multicollinearity is not affecting any of the models, and residual analysis reveals no evidence of non-constant variance (heteroscedasticity). The models below all have F-tests that are significant with at least 99% confidence, suggesting adequate fit to the data.

Considering both buyers and suppliers, the results of table 6.3 suggest that buyers were positively associated with the firm's absorptive capacity development with respect to market ($p < 0.01$), operational technology ($p < 0.01$) and international business strategy ($p < 0.10$). Suppliers, on the other hand, did not provide meaningful contributions to these Indonesian firms' absorptive capacity development, marginal to the other variables in the models. This

result may be partially explained by the fact that 60% of the respondent firms were supplied by local firms, which may be considered less relevant to the development of absorptive capacity.

Table 6.3 Regression results of absorptive capacity on buyer-supplier relationships (Standard errors in parentheses)

Dependent variable (AC dimension)	Market	Opr tech	Strat tech	IB strategy
Constant	0.335 (0.699)	0.774 (0.876)	0.485 (1.197)	0.683 (0.848)
Independent variables:				
- Buyers' contributions	0.577*** (0.087)	0.542*** (0.106)	0.193 (0.120)	0.262* (0.116)
- Suppliers' contributions	0.030 (0.068)	0.042 (0.087)	-0.058 (0.095)	0.068 (0.088)
Control variables:				
- Technology	-0.067 (0.268)	0.270 (0.321)	0.315 (0.437)	-0.072 (0.311)
- Employee (natural log)	0.030 (0.070)	0.003 (0.087)	0.137 (0.117)	-0.024 (0.084)
- Structure – functional	0.010 (0.223)	-0.124 (0.273)	0.132 (0.372)	-0.171 (0.261)
- Learning culture	0.157 (0.133)	0.151 (0.151)	0.504* (0.196)	0.460** (0.141)
- Competitiveness	0.131 (0.121)	0.057 (0.154)	0.017 (0.214)	0.069 (0.150)
Model significance (F-test)	0.000	0.000	0.005	0.000
R^2	0.641	0.542	0.276	0.476
R^2_{adj}	0.604	0.492	0.193	0.422
N	75	72	68	74
Highest VIF score	2.031	2.017	2.031	2.664

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Interestingly, neither buyers nor suppliers were strongly related to the development of absorptive capacity with respect to strategic technology. The model only explained 27.6% of the variance in the dependent variable (see the R^2 value). In addition, organisational learning culture was positively associated ($p < 0.10$) with the firm's ability to absorb knowledge about strategic technology and international business strategy, marginal to contributions from buyer-supplier relationships. Table 6.4 summarises the results of testing hypotheses 2a and 2b.

Table 6.4 Results of testing the relationship between the four dimensions of absorptive capacity and buyer-supplier relationships

Hypothesis	Dependent variable (AC dimension)				Conclusion
	Market	Opr tech	Strat tech	IB strategy	
H2a: The extent of relationships with buyers is positively related to the firm's absorptive capacity.	Supported	Supported	Not supported	Supported	H2a is partially supported
H2b: The extent of relationships with suppliers is positively related to the firm's absorptive capacity.	Not supported	Not supported	Not supported	Not supported	H2b is not supported
Conclusion regarding H2: The extent of relationships with buyers and suppliers is positively related to the firm's absorptive capacity	Partially supported	Partially supported	Not supported	Partially supported	H2 is partially supported

6.2.3 Non buyer-supplier relationships and absorptive capacity

Hypothesis 3 explores the contributions of second-hand experience from non buyer-supplier relationships to the firm's knowledge development. Unlike buyer-supplier relationships, non buyer-supplier relationships involve a wide variety of actors. In order to understand the potential contributions of non buyer-supplier relationships to the firm's absorptive capacity, this study used both previous literature and the results of the qualitative portion of this research, as shown in chapter 5, to identify the actors in the non buyer-supplier category that may facilitate Indonesian firms to learn about international markets. They are domestic competitors, foreign competitors, foreign multinationals (FMNEs) that operate in Indonesia, linking with universities, attending conferences, local exhibitions, foreign exhibitions and accessing published standards. Hypothesis 3 predicts that the extent of relationships with actors that are neither buyers nor suppliers is positively related to the firm's

absorptive capacity. The hypothesis is broken down into nine sub-hypotheses, each of which investigates the contributions of a specific non buyer-supplier relationship to the firm's absorptive capacity. Table 6.5 presents the results of regressing AC on the contributions of second-hand experience in non buyer-supplier relationships.

Table 6.5 Regression results of absorptive capacity on non buyer-supplier relationships (Standard errors in parentheses)

Dependent variable (AC dimension)	Market	Opr tech	Strat tech	IB strategy
Constant	0.117 (0.962)	1.043 (1.135)	1.370 (1.386)	-0.209 (0.958)
Independent variables:				
- Domestic competitors' contributions	0.290** (0.101)	0.119 (0.135)	-0.038 (0.122)	0.086 (0.098)
- Foreign competitors' contributions	0.125 (0.089)	0.213* (0.123)	0.390** (0.123)	0.131 (0.094)
- FMNEs in Indonesia's contributions	-0.161 (0.100)	-0.005 (0.136)	-0.177 (0.129)	0.004 (0.104)
- Universities' contributions	-0.010 (0.111)	-0.058 (0.123)	0.227* (0.121)	-0.140 (0.106)
- Governments' contributions	0.121 (0.110)	-	-	0.115 (0.110)
- Conferences' contributions	-	0.003 (0.127)	-	-0.088 (0.117)
- Local exhibitions' contributions	-0.076 (0.101)	-0.066 (0.123)	-0.058 (0.130)	-0.037 (0.107)
- Foreign exhibitions' contributions	0.158* (0.088)	0.269* (0.129)	0.249* (0.136)	0.112 (0.100)
- Published standards' contributions	-0.048 (0.099)	-	-0.225 (0.142)	-
Control variables:				
- Technology	0.466 (0.329)	0.440 (0.390)	0.913* (0.468)	0.025 (0.329)
- Employee (natural log)	0.010 (0.090)	-0.003 (0.102)	0.040 (0.127)	-0.026 (0.085)
- Structure – functional	0.008 (0.316)	-0.425 (0.379)	0.195 (0.416)	-0.165 (0.322)
- Learning culture	0.482*** (0.145)	0.264 (0.169)	0.162 (0.204)	0.475*** (0.140)
- Competitiveness	-0.004 (0.164)	0.002 (0.186)	0.152 (0.243)	0.309* (0.168)
Model significance (F-test)	0.000	0.000	0.002	0.000
R^2	0.592	0.473	0.440	0.563
R^2_{adj}	0.496	0.356	0.305	0.454
N	68	66	62	65
Highest VIF score	2.384	2.645	2.311	2.557

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Some of the independent variables, as shown in table 6.5, displayed collinearity. Including all of these variables in a model might yield incorrect interpretations of the estimated coefficients. Therefore, the models were estimated in an iterative manner, to obtain an understanding of the relationships between the independent and dependent variables.

Similar to the earlier modelling, models are estimated for four dimensions of AC and additional models were estimated to permit clear assessment of each variable's contribution to the explanation of the variance in each of the dependent variables (see tables 6.5-6.8).

The regression results in table 6.5 indicate that, of non buyer-supplier experience measures, the contributions of domestic competitors and attending foreign exhibitions were positively related to market AC ($p < 0.05$ and $p < 0.10$, respectively), marginal to the other variables included in the model. The contributions of foreign competitors and foreign exhibitions were positively related to operational technology AC (both $p < 0.10$), and the contributions of foreign competitors, universities and foreign exhibitions were all positively related to strategic technology AC. Of interest is the fact that none of non buyer-supplier relationships was associated with the development of absorptive capacity pertaining to international business strategy, based on this sample of Indonesian firms. Among the control variables, organisational learning culture displayed a strong positive relationship with the firm's absorptive capacity development with respect to both markets and international business strategy, while competitiveness demonstrates a positive relationship with IB strategy absorptive capacity, and firms in high-technology industries have, on average, higher absorptive capacity related to strategic technology, after controlling for the other variables in the model. The models in table 6.5 all demonstrated strong fit to the data, each explaining at least 44% of the variance in the respective dependent variable, as reflected in the R^2 values. Table 6.6 presents two regressions that allow for full testing of the

relationships between market-related absorptive capacity and non buyer-supplier relationships.

Table 6.6 Regression results of market-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1 (as shown in table 6.5)	Model 2
Dependent variable (AC dimension)	Market	Market
Constant	0.117 (0.962)	0.458 (0.943)
Independent variables:		
- Domestic competitors' contributions	0.290** (0.101)	0.318** (0.099)
- Foreign competitors' contributions	0.125 (0.089)	0.097 (0.088)
- FMNEs in Indonesia's contributions	-0.161 (0.100)	-0.127 (0.101)
- Universities' contributions	-0.010 (0.111)	-0.028 (0.105)
- Governments' contributions	0.121 (0.110)	0.093 (0.117)
- Conferences' contributions	-	0.004 (0.107)
- Local exhibitions' contributions	-0.076 (0.101)	-0.106 (0.098)
- Foreign exhibitions' contributions	0.158* (0.088)	0.168* (0.090)
- Published standards' contributions	-0.048 (0.099)	-
Control variables:		
- Technology	0.466 (0.329)	0.430 (0.335)
- Employee (natural log)	0.010 (0.090)	-0.017 (0.085)
- Structure – functional	0.008 (0.316)	-0.147 (0.316)
- Learning culture	0.482*** (0.145)	0.481*** (0.143)
- Competitiveness	-0.004 (0.164)	-0.045 (0.161)
Model significance (F-test)	0.000	0.000
R^2	0.592	0.583
R^2_{adj}	0.496	0.486
N	68	69
Highest VIF score	2.384	2.507

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Not surprisingly, table 6.6 shows that the results from the two models are very similar. Neither conferences nor published standards were associated with the development of AC about markets, marginal to the other variables in the

models. The results remain that, of the non buyer-supplier relationships, only the contributions of domestic competitors and foreign exhibitions were positively significantly associated with AC development pertaining to markets, while the organisational learning culture control variable also contributed significant explanatory power. See table 6.7.

Table 6.7 Regression results of operational technology-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1 (as shown in table 6.5)	Model 2	Model 3
Dependent variable (AC dimension)	Operational technology	Operational technology	Operational technology
Constant	1.043 (1.135)	0.670 (1.125)	0.283 (1.090)
Independent variables:			
- Domestic competitors' contributions	0.119 (0.135)	0.085 (0.132)	0.106 (0.133)
- Foreign competitors' contributions	0.213* (0.123)	0.207* (0.108)	0.222* (0.121)
- FMNEs in Indonesia's contributions	-0.005 (0.136)	-	-0.046 (0.135)
- Universities' contributions	-0.058 (0.123)	-0.123 (0.130)	-0.076 (0.139)
- Governments' contributions	-	0.136 (0.161)	0.149 (0.153)
- Conferences' contributions	0.003 (0.127)	-0.032 (0.132)	-
- Local exhibitions' contributions	-0.066 (0.123)	-0.054 (0.119)	-
- Foreign exhibitions' contributions	0.269* (0.129)	0.269** (0.123)	0.262* (0.121)
- Published standards' contributions	-	-	-0.118 (0.123)
Control variables:			
- Technology	0.440 (0.390)	0.474 (0.383)	0.613 (0.383)
- Employee (natural log)	-0.003 (0.102)	0.022 (0.102)	0.056 (0.103)
- Structure – functional	-0.425 (0.379)	-0.335 (0.369)	-0.208 (0.348)
- Learning culture	0.264 (0.169)	0.299* (0.170)	0.277 (0.170)
- Competitiveness	0.002 (0.186)	-0.006 (0.182)	0.040 (0.181)
Model significance (F-test)	0.000	0.000	0.000
R^2	0.473	0.483	0.483
R^2_{adj}	0.356	0.371	0.369
N	66	67	66
Highest VIF score	2.645	2.919	2.675

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Consistent with the results from table 6.5, the contributions of foreign competitors and foreign exhibitions were the key sources for the development of operational technology-related absorptive capacity, among the collection of contribution from non buyer-supplier relationships. The lack of marginal contribution of the government and published standards variables was somewhat surprising. In Indonesia, government is the legitimising actor, in terms of launching standards and, usually, changes of standards occur as a result of international industrial development, or the advancement of foreign competition. However, the results suggest that neither government nor published standards contributed significantly to the sample firms' development of absorptive capacity for operational technology, marginal to the other variables in the models. Given that government and published standards were collinear, it was no surprise that including one or the other did not change the interpretation of the results. Based on this sample, the contributions of foreign competitors and foreign exhibitions appeared to be most useful for the development of Indonesian firm's operational technology AC. In addition, when the variables pertaining to FMNEs in the Indonesia and published standards were excluded from the model, organisational learning culture demonstrated a significantly positive relationship with this operational technology dimension of absorptive capacity development.

Table 6.8 shows the expanded regression results pertaining to strategic technology AC. As with all of the modelling in this study, the models have low VIF scores, and residual analysis reveals no evidence of non-constant variance (heteroscedasticity) or lack of independence.

Table 6.8 Regression results of strategic technology-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1 (as shown in table 6.5)	Model 2	Model 3
Dependent variable (AC dimension)	Strategic technology	Strategic technology	Strategic technology
Constant	1.370 (1.386)	1.144 (1.443)	1.048 (1.446)
Independent variables:			
- Domestic competitors' contributions	-0.038 (0.122)	-0.022 (0.125)	-0.049 (0.123)
- Foreign competitors' contributions	0.390** (0.123)	0.400*** (0.127)	0.382*** (0.124)
- FMNEs in Indonesia's contributions	-0.177 (0.129)	-0.202 (0.138)	-0.180 (0.130)
- Universities' contributions	0.227* (0.121)	0.206 (0.130)	0.144 (0.158)
- Governments' contributions	-	-	0.145 (0.179)
- Conferences' contributions	-	0.129 (0.166)	-
- Local exhibitions' contributions	-0.058 (0.130)	-0.078 (0.133)	-0.059 (0.131)
- Foreign exhibitions' contributions	0.249* (0.136)	0.224 (0.145)	0.237* (0.091)
- Published standards' contributions	-0.225 (0.142)	-0.288* (0.160)	-0.236 (0.105)
Control variables:			
- Technology	0.913* (0.468)	1.035* (0.495)	0.948* (0.471)
- Employee (natural log)	0.040 (0.127)	0.044 (0.213)	0.066 (0.131)
- Structure – functional	0.195 (0.416)	0.261 (0.435)	0.249 (0.423)
- Learning culture	0.162 (0.204)	0.188 (0.213)	0.222 (0.218)
- Competitiveness	0.152 (0.243)	0.147 (0.247)	0.108 (0.250)
Model significance (F-test)	0.002	0.003	0.002
R^2	0.440	0.446	0.447
R^2_{adj}	0.305	0.296	0.301
N	62	61	62
Highest VIF score	2.311	2.810	2.672

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The fact that two of the second-hand experience measures, the contributions of government and conferences, were highly correlated is not surprising; in Indonesia, conferences related to strategic technology are normally funded by the government. Regardless of how these variables were entered into the models, more contribution of foreign competitors was consistently associated

with stronger development of absorptive capacity relating to strategic technology. When the conferences variable was included in the model and the government variable was excluded (see model 2), more contribution from published standards was associated with less development of strategic technology AC, marginal to the other variables in the model. When the government variable was included and the conferences variable was excluded (see model 3), the estimated coefficient associated with the foreign exhibitions variable is significant and positive.

Among the control variables, the technology variable offers consistent explanatory power, suggesting that firms in more technologically oriented industries tend to develop more strategic technology related absorptive capacity.

Table 6.9 Regression results of international business strategy-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1 (as shown in table 6.5)	Model 2
Dependent variable (AC dimension)	IB strategy	IB strategy
Constant	-0.209 (0.958)	0.846 (0.952)
Independent variables:		
- Domestic competitors' contributions	0.086 (0.098)	0.093 (0.094)
- Foreign competitors' contributions	0.131 (0.094)	0.133 (0.092)
- FMNEs in Indonesia's contributions	0.004 (0.104)	-0.008 (0.103)
- Universities' contributions	-0.140 (0.106)	-0.111 (0.106)
- Governments' contributions	0.115 (0.110)	0.088 (0.103)
- Conferences' contributions	-0.088 (0.117)	-
- Local exhibitions' contributions	-0.037 (0.107)	0.011 (0.109)
- Foreign exhibitions' contributions	0.112 (0.100)	0.098 (0.101)
- Published standards' contributions	-	-0.113 (0.108)

	Model 1 (as shown in table 6.5)	Model 2
Dependent variable (AC dimension)	IB strategy	IB strategy
Control variables:		
- Technology	0.025 (0.329)	0.191 (0.322)
- Employee (natural log)	-0.026 (0.085)	0.027 (0.086)
- Structure – functional	-0.165 (0.322)	0.034 (0.307)
- Learning culture	0.475*** (0.140)	0.445*** (0.140)
- Competitiveness	0.309* (0.168)	0.385* (0.172)
Model significance (F-test)	0.000	0.000
R^2	0.563	0.571
R^2_{adj}	0.454	0.463
N	65	65
Highest VIF score	2.557	2.759

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The strong linear relationship between the conferences and published standards variables means that results for absorptive capacity with regard to international business strategy development are similar, regardless of which is included, as shown by table 6.9. Specifically, none of the non buyer-supplier variables contributed significant explanatory power to either model, but the estimated coefficients associated with the learning culture and competitiveness variables were significant, suggesting positive relationships between these control variables and the development of absorptive capacity pertaining to strategic capacity.

Table 6.10 summarises the relationships between non buyer-supplier relationships and the development of absorptive capacity (AC) development for each of the four dimensions.

Table 6.10 Results of testing the relationship between the four AC dimensions and non buyer-supplier relationships

Hypothesis	Dependent variable (AC dimension)				Conclusion
	Market	Opr tech	Strat tech	IB strategy	
H3a: The extent of relationships with domestic competitors contributes positively to the firm's AC.	Supported	Not supported	Not supported	Not supported	H3a is partially supported
H3b: The extent of relationships with foreign competitors contributes positively to the firm's AC.	Not supported	Supported	Supported	Not supported	H3b is partially supported
H3c: The extent of relationships with FMNEs operating in the domestic market contributes positively to the firm's AC.	Not supported	Not supported	Not supported	Not supported	H3c is not supported
H3d: The extent of relationships with universities contributes positively to the firm's AC.	Not supported	Not supported	Supported	Not supported	H3d is partially supported
H3e: The extent of relationships with government contributes positively to the firm's AC.	Not supported	Not supported	Not supported	Not supported	H3e is not supported
H3f: Attending conference contributes positively to the firm's AC.	Not supported	Not supported	Not supported	Not supported	H3f is not supported
H3g: Attending local exhibitions contributes positively to the firm's AC.	Not supported	Not supported	Not supported	Not supported	H3g is not supported
H3h: Attending foreign exhibitions contributes positively to the firm's AC.	Supported	Supported	Supported	Not supported	H3h is partially supported
H3i: Reading published standards contribute positively to the firm's AC.	Not supported	Not supported	Contradicted	Not supported	H3i is contradicted
Conclusion regarding H3: The extent of relationships with non buyers and suppliers are positively related to the firm's AC.	Partially supported	Partially supported	Partially supported	Not supported	H3 is partially supported

In general, the results indicate that, among their non buyer-supplier relationships, firms are using different sources to develop different aspects of their absorptive capacity. More extensive contributions from domestic

competitors and attending foreign exhibitions are associated with stronger development of absorptive capacity about markets. Foreign interactions, specifically with competitors and attending foreign exhibitions, are associated with the development of absorptive capacity regarding operational technology. Interactions with universities and foreign competitors, as well as attending foreign exhibitions, are viewed as enhancing the development of absorptive capacity development with respect to strategic technology. However, contrary to expectations, heavier reliance on published standards may serve to limit the development of strategic technology AC. None of the non buyer-supplier factors is associated with international business strategy AC. A stronger organisational learning culture is associated with better absorptive capacity development in terms of market and international business strategy, and firms operating in high-tech industries tend to have more strategic technology AC.

In sum, the hypotheses pertaining to the contributions of non buyer-suppliers to firms' absorptive capacity are either partially supported (i.e., the extent of contributions from domestic competitors, foreign competitors, universities and attending foreign exhibitions), not supported (i.e., the extent of contributions from FMNEs, government, attending local exhibitions and) or contradicted (i.e., contributions from published standards). Therefore, H3, as a whole, receives partial support from this study.

6.2.4 Second-hand experience and absorptive capacity

Including both the contribution of buyer-supplier and non buyer-supplier relationships, hypothesis 4 predicts that buyer-supplier relationships provide more contribution than non buyer-supplier relationships to the development of absorptive capacity on how to enter international markets. Table 6.11 presents the regression results of absorptive capacity development from the contribution of second-hand experience.

The regression results indicate that, of second-hand experience measures, including both the contributions of buyer-supplier and non buyer-supplier

interactions, the contribution of buyers is positively related to absorptive capacity development with respect to market, operational technology (both $p < 0.01$) and international business strategy ($p < 0.05$). The contributions from non buyer-supplier relationships is more diffuse, with domestic competitors associated marginally with market AC ($p < 0.10$), foreign competitors associated with strategic technology AC ($p < 0.05$), and foreign exhibitions associated with operational technology and strategic technology AC (both $p < 0.10$). In contrast to the positive associations above, contributions based on published standards are negatively associated ($p < 0.10$) with strategic technology AC. Among the control variables, higher technology orientation is associated with higher absorptive capacity with regard to strategic technology ($p < 0.10$), while organisational learning culture is associated with AC development in international business strategy ($p < 0.10$). Given the collinearity issues, additional modelling was undertaken.

Table 6.11 Regression results of absorptive capacity on the contribution of second-hand experience (Standard errors in parentheses)

Dependent variable (AC dimension)	Market	Opr tech	Strat tech	IB strategy
Constant	0.547 (0.823)	1.273 (1.123)	1.298 (1.440)	0.505 (0.912)
Independent variables:				
- Buyers' contributions	0.478*** (0.100)	0.477*** (0.130)	0.193 (0.150)	0.379** (0.113)
- Suppliers' contributions	0.034 (0.087)	0.059 (0.130)	-	-
- Domestic competitors' contributions	0.200* (0.089)	0.054 (0.127)	-0.041 (0.122)	0.026 (0.090)
- Foreign competitors' contributions	0.085 (0.083)	-	0.320** (0.130)	0.068 (0.088)
- FMNEs in Indonesia's contributions	-0.143 (0.087)	0.042 (0.116)	-0.208 (0.130)	-0.035 (0.095)
- Universities' contributions	0.003 (0.097)	-0.121 (0.123)	0.143 (0.156)	-0.087 (0.098)
- Governments' contributions	0.055 (0.098)	-	0.139 (0.177)	0.051 (0.101)
- Conferences' contributions	-	0.010 (0.123)	-	-0.065 (0.108)
- Local exhibitions' contributions	-0.084 (0.084)	-0.125 (0.116)	-0.055 (0.129)	-0.070 (0.098)
- Foreign exhibitions' contributions	0.060 (0.076)	0.225* (0.120)	0.239* (0.136)	0.089 (0.092)
- Published standards' contributions	-0.046 (0.087)	-	-0.274* (0.143)	-

Dependent variable (AC dimension)	Market	Opr tech	Strat tech	IB strategy
Control variables:				
- Technology	0.143 (0.290)	0.378 (0.376)	0.886* (0.468)	0.113 (0.298)
- Employee (natural log)	-0.008 (0.075)	-0.043 (0.103)	0.053 (0.130)	-0.031 (0.081)
- Structure – functional	-0.039 (0.265)	-0.235 (0.363)	0.319 (0.421)	0.001 (0.296)
- Learning culture	0.171 (0.142)	0.042 (0.176)	0.174 (0.218)	0.295* (0.136)
- Competitiveness	0.047 (0.145)	0.070 (0.186)	0.047 (0.251)	0.188 (0.164)
Model significance (F-test)	0.000	0.000	0.002	0.000
R^2	0.738	0.568	0.471	0.645
R^2_{adj}	0.661	0.456	0.317	0.546
N	66	63	62	64
Highest VIF score	2.526	2.802	2.763	2.591

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 6.12 Regression results of market-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1 (as shown in table 6.11)	Model 2
Dependent variable (AC dimension)	Market	Market
Constant	0.547 (0.823)	0.703 (0.829)
Independent variables:		
- Buyers' contributions	0.478*** (0.100)	0.473*** (0.102)
- Suppliers' contributions	0.034 (0.087)	0.058 (0.088)
- Domestic competitors' contributions	0.200* (0.089)	0.234** (0.086)
- Foreign competitors' contributions	0.085 (0.083)	0.058 (0.081)
- FMNEs in Indonesia's contributions	-0.143 (0.087)	-0.139 (0.086)
- Universities' contributions	0.003 (0.097)	0.000 (0.093)
- Governments' contributions	0.055 (0.098)	-0.012 (0.100)
- Conferences' contributions	- (0.087)	0.068 (0.091)
- Local exhibitions' contributions	-0.084 (0.084)	-0.124 (0.081)
- Foreign exhibitions' contributions	0.060 (0.076)	0.049 (0.078)
- Published standards' contributions	-0.046 (0.087)	-

	Model 1 (as shown in table 6.11)	Model 2
Dependent variable (AC dimension)	Market	Market
Control variables:		
- Technology	0.143 (0.290)	0.190 (0.292)
- Employee (natural log)	-0.008 (0.075)	-0.008 (0.074)
- Structure – functional	-0.039 (0.265)	-0.048 (0.269)
- Learning culture	0.171 (0.142)	0.156 (0.139)
- Competitiveness	0.047 (0.145)	0.007 (0.140)
Model significance (F-test)	0.000	0.000
R^2	0.738	0.737
R^2_{adj}	0.661	0.660
N	66	66
Highest VIF score	2.526	2.529

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Consistent with the results from table 6.11, the contribution of main buyers and domestic competitors are the key sources for the development of market-related AC, among the collection of variables representing contribution from second-hand experience. See table 6.12.

Table 6.13 presents the three regression models of the relationships between operational technology-related AC and second-hand experience. The results were consistent. Buyers and attending foreign exhibitions are the key sources for the development of operational technology-related AC.

Table 6.13 Regression results of operational technology-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1 (as shown in table 6.11)	Model 2	Model 3
Dependent variable (AC dimension)	Opr tech	Opr tech	Opr tech
Constant	1.273 (1.123)	1.000 (1.051)	.857 (1.097)
Independent variables:			
- Buyers' contributions	0.477*** (0.130)	0.452*** (0.126)	0.452*** (0.121)
- Suppliers' contributions	0.059 (0.130)	-	-
- Domestic competitors' contributions	0.054 (0.127)	0.062 (0.125)	0.093 (0.119)
- Foreign competitors' contributions	-	0.120 (0.119)	-
- FMNEs in Indonesia's contributions	0.042 (0.116)	-0.052 (0.122)	0.003 (0.110)
- Universities' contributions	-0.121 (0.123)	-0.036 (0.116)	-
- Governments' contributions	-	-	0.047 (0.127)
- Conferences' contributions	0.010 (0.123)	0.092 (0.112)	-
- Local exhibitions' contributions	-0.125 (0.116)	-0.052 (0.108)	-0.066 (0.119)
- Foreign exhibitions' contributions	0.225* (0.120)	-	0.223* (0.115)
- Published standards' contributions	-	-	-0.090 (0.121)
Control variables:			
- Technology	0.378 (0.376)	0.502 (0.360)	0.594 (0.369)
- Employee (natural log)	-0.043 (0.103)	0.003 (0.098)	-0.002 (0.100)
- Structure – functional	-0.235 (0.363)	-0.181 (0.358)	-0.080 (0.348)
- Learning culture	0.042 (0.176)	0.152 (0.160)	0.108 (0.165)
- Competitiveness	0.070 (0.186)	-0.007 (0.173)	0.010 (0.177)
Model significance (F-test)	0.000	0.000	0.000
R^2	0.568	0.535	0.560
R^2_{adj}	0.456	0.433	0.462
N	63	67	66
Highest VIF score	2.802	2.914	2.862

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 6.14 Regression results of strategic technology-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1 (as shown in table 6.11)	Model 2	Model 3
Dependent variable (AC dimension)	Strategic technology	Strategic technology	Strategic technology
Constant	1.298 (1.440)	0.265 (1.423)	0.972 (1.474)
Independent variables:			
- Buyers' contributions	0.193 (0.150)	0.196 (0.138)	0.120 (0.143)
- Suppliers' contributions	-	-0.133 (0.130)	-0.185 (0.145)
- Domestic competitors' contributions	-0.041 (0.122)	-0.040 (0.120)	-0.040 (0.127)
- Foreign competitors' contributions	0.320** (0.130)	0.350** (0.126)	0.325* (0.134)
- FMNEs in Indonesia's contributions	-0.208 (0.130)	-0.198 (0.126)	-0.160 (0.136)
- Universities' contributions	0.143 (0.156)	0.127 (0.153)	0.162 (0.131)
- Governments' contributions	0.139 (0.177)	0.172 (0.170)	-
- Conferences' contributions	-	-	0.020 (0.148)
- Local exhibitions' contributions	-0.055 (0.129)	0.004 (0.124)	-0.063 (0.131)
- Foreign exhibitions' contributions	0.239* (0.136)	0.209 (0.133)	0.176 (0.148)
- Published standards' contributions	-0.274* (0.143)	-0.340* (0.147)	-
Control variables:			
- Technology	0.886* (0.468)	0.797* (0.451)	0.689 (0.483)
- Employee (natural log)	0.053 (0.130)	0.084 (0.127)	0.068 (0.132)
- Structure – functional	0.319 (0.421)	0.366 (0.399)	0.312 (0.432)
- Learning culture	0.174 (0.218)	0.200 (0.221)	0.272 (0.230)
- Competitiveness	0.047 (0.251)	0.279 (0.258)	0.060 (0.248)
Model significance (F-test)	0.002	0.002	0.008
R^2	0.471	0.510	0.446
R^2_{adj}	0.317	0.347	0.274
N	62	60	59
Highest VIF score	2.763	2.742	2.964

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

The contributions of foreign competitors and foreign exhibitions are the key sources for the development of strategic technology-related AC, from among the collection of sources of second-hand experience. Moreover, the negative

relationship between the contribution of published standards and the development of strategic technology AC is consistent. Firms operating in high-tech industries display higher AC with regard to strategic technology in two of the three models.

Table 6.15 Regression results of international business (IB) strategy-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1 (as shown in table 6.11)	Model 2	Model 3
Dependent variable (AC dimension)	IB strategy	IB strategy	IB strategy
Constant	0.505 (0.912)	-0.232 (1.017)	0.118 (0.918)
Independent variables:			
- Buyers' contributions	0.379** (0.113)	-	0.374*** (0.111)
- Suppliers' contributions	-	0.156 (0.112)	-
- Domestic competitors' contributions	0.026 (0.090)	0.055 (0.102)	0.026 (0.089)
- Foreign competitors' contributions	0.068 (0.088)	0.066 (0.102)	0.068 (0.086)
- FMNEs in Indonesia's contributions	-0.035 (0.095)	0.024 (0.107)	-0.038 (0.094)
- Universities' contributions	-0.087 (0.098)	-0.205 (0.123)	-0.089 (0.097)
- Governments' contributions	0.051 (0.101)	0.141 (0.113)	0.041 (0.095)
- Conferences' contributions	-0.065 (0.108)	-0.136 (0.118)	-
- Local exhibitions' contributions	-0.070 (0.098)	-0.054 (0.107)	-0.027 (0.100)
- Foreign exhibitions' contributions	0.089 (0.092)	0.128 (0.103)	0.096 (0.092)
- Published standards' contributions	-	-	-0.085 (0.099)
Control variables:			
- Technology	0.113 (0.298)	-0.047 (0.338)	0.222 (0.294)
- Employee (natural log)	-0.031 (0.081)	-0.007 (0.088)	-0.015 (0.080)
- Structure – functional	0.001 (0.296)	-0.119 (0.329)	0.103 (0.281)
- Learning culture	0.295* (0.136)	0.428** (0.146)	0.304** (0.135)
- Competitiveness	0.188 (0.164)	0.353* (0.179)	0.218 (0.165)
Model significance (F-test)	0.000	0.000	0.000
R^2	0.645	0.501	0.648
R^2_{adj}	0.546	0.472	0.552
N	64	62	65
Highest VIF score	2.591	2.822	2.806

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Consistent with table 6.11, table 6.15 shows that learning culture and the contribution of buyers are the key sources for the development of international business strategy-related AC, among the variables included in the models. Moreover, when the contribution of buyers is not included in the model, perceived competitiveness displays a positive association with the firm's AC development for international business strategy.

Table 6.16 summarises the relationships between second-hand experience and the AC development in four dimensions.

Table 6.16 Results of testing the relationship between the four dimensions of AC and the contribution of second-hand experience

Dependent variable (AC dimension)	Market	Opr tech	Strat tech	IB strategy	Conclusion
H4a: Ceteris paribus, relationships with buyers are more strongly related to the firm's AC than non buyer-supplier relationships.	Supported	Supported	Not supported	Supported	H4a is partially supported
H4b: Ceteris paribus, relationships with suppliers are more strongly related to the firm's AC than non buyer-supplier relationships.	Not Supported	Not Supported	Not supported	Not supported	H4b is not supported
Conclusion regarding H4: Buyer-supplier relationships contribute more than non buyer-supplier relationships to the firm's AC in respect to entering international markets.	Partially supported	Partially supported	Not supported	Partially supported	H4 is partially supported

Based on the strength of the results associated with buyers' contributions, H4a receives support for three dimensions of AC development pertaining to markets, operational technology and international business strategy. However, buyers' contributions do not demonstrate significant explanatory power in the models for AC in terms of strategic technology. Thus, H4a is partially supported. The fact that the regression models indicate no marginal association

between suppliers and any of the four AC dimensions reveals a consistent lack of support for H4b. In summary, hypothesis 4 receives partial support.

6.2.5 First- and second-hand experience and absorptive capacity

This subsection assesses the relationships between the various components of experience and the development of absorptive capacity. Specifically, hypothesis 5 predicts that a firm's own, first-hand experience, provides a stronger contribution than second-hand experience, in the decision process about entering international markets.

The dependent variables are the four dimensions of absorptive capacity: market, operational technology, and strategic technology and international business (IB) strategy. The independent variables reflect the contributions of both first- and second-hand experience, through the firm's own international experience, buyer-supplier relationships, and non buyer-supplier relationships.

Three variables capture the firm's international experience: country experience, sales ratio and length of exporting. Two variables pertain to second-hand experience through buyer-supplier relationships: the contribution of buyers and the contribution of suppliers. Nine variables indicate second-hand experience through non buyer-supplier relationships: the contributions of domestic competitors, foreign competitors, FMNEs in Indonesia, linking with government, universities, attending conferences, local exhibitions, foreign exhibitions, and reading published standards.

Table 6.17 Regression results of absorptive capacity on first- and second-hand experience (Standard errors in parentheses)

Dependent variable (AC dimension)	Market	Opr tech	Strat tech	IB strategy
Constant	-0.907 (1.012)	1.023 (0.135)	0.665 (1.472)	-0.159 (1.053)
Independent variables:				
- Country experience	-0.048 (0.146)	-0.033 (0.185)	-0.287 (0.206)	-0.035 (0.142)
- Sales ratio	0.006 (0.004)	0.006 (0.005)	0.011* (0.006)	0.006 (0.004)
- Length of exporting	0.003 (0.019)	-0.009 (0.023)	-0.044 (0.028)	0.003 (0.019)
- Buyers' contributions	0.556*** (0.115)	0.417*** (0.140)	0.211* (0.125)	0.332** (0.111)
- Suppliers' contributions	-0.021 (0.100)	0.105 (0.133)	-	-
- Domestic competitors' contributions	-	-	-0.060 (0.122)	-
- Foreign competitors' contributions	0.133 (0.086)	-	0.375** (0.124)	0.068 (0.086)
- FMNEs in Indonesia's contributions	-0.057 (0.093)	0.069 (0.111)	-0.197 (0.122)	0.017 (0.084)
- Universities' contributions	-0.051 (0.104)	-0.122 (0.124)	0.188* (0.111)	-0.138 (0.097)
- Governments' contributions	0.023 (0.114)	-	-	0.010 (0.100)
- Conferences' contributions	0.074 (0.103)	-0.032 (0.135)	-	-
- Local exhibitions' contributions	-0.063 (0.085)	-0.096 (0.120)	-0.050 (0.123)	-0.047 (0.096)
- Foreign exhibitions' contributions	0.005 (0.087)	0.232* (0.125)	0.248* (0.124)	0.032 (0.092)
- Published standards' contributions	-	-	-0.343 (0.137)	-
Control variables:				
- Technology	0.298 (0.346)	0.442 (0.421)	1.121* (0.477)	0.261 (0.326)
- Employee (natural log)	-0.010 (0.088)	0.001 (0.115)	0.107 (0.127)	0.003 (0.091)
- Structure – functional	0.191 (0.299)	-0.310 (0.370)	-0.045 (0.406)	0.100 (0.274)
- Learning culture	0.235 (0.161)	0.047 (0.190)	0.156 (0.197)	0.321* (0.145)
- Competitiveness	0.134 (0.151)	0.063 (0.192)	0.209 (0.240)	0.200 (0.163)
Model significance (F-test)	0.000	0.000	0.001	0.000
R^2	0.724	0.565	0.560	0.608
R^2_{adj}	0.617	0.416	0.389	0.482
N	61	59	57	62
Highest VIF score	2.682	2.700	2.611	2.428

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Among the measures related to the firm's own international experience, only sales ratio is significantly positively related to the firm's absorptive capacity development with respect to strategic technology ($p < 0.10$).

It is interesting to note that, considering only first-hand experience, sales ratio does not demonstrate significant explanatory power for strategic technology AC; see table 6.2. None of the other measures of own international experience (country experience and length of exporting) offers explanatory power for the firm's development of absorptive capacity, based on the sample. Comparing the R^2 values between tables 6.2 and 6.17 suggests that the collection of second-hand experience variables explains a considerable amount of the variation in the four AC dimensions.

Consistent with the previous regression analyses, the contributions of buyers are significantly related to the firms' absorptive capacity development for all four dimensions (at least $p < 0.10$). Among the non buyer-supplier relationships, the contributions of foreign competitors ($p < 0.05$), universities ($p < 0.10$), and attending foreign exhibitions ($p < 0.10$) are significantly related to the firms' absorptive capacity development with respect to strategic technology. Attending foreign exhibitions is also significantly related to the firm's absorptive capacity development with respect to operational technology. In addition, among the control variables, firms in high-technology industries have, on average, higher absorptive capacity related to strategic technology, and the presence of a stronger organisational learning culture is positively associated with the firm's ability to absorb knowledge about international business strategy. In order to deal with collinear variables, additional models were estimated; see tables 6.18-6.21.

Table 6.18 Regression results of market-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1 (as shown in table 6.17)	Model 2
Dependent variable (AC dimension)	Market	Market
Constant	-0.907 (1.012)	-0.016 (1.062)
Independent variables:		
- Country experience	-0.048 (0.146)	0.041 (0.146)
- Sales ratio	0.006 (0.004)	0.004 (0.004)
- Length of exporting	0.003 (0.019)	-0.006 (0.018)
- Buyers' contributions	0.556*** (0.115)	0.484*** (0.121)
- Suppliers' contributions	-0.021 (0.100)	0.038 (0.097)
- Domestic competitors' contributions	-	0.207* (0.104)
- Foreign competitors' contributions	0.133 (0.086)	-
- FMNEs in Indonesia's contributions	-0.057 (0.093)	-0.076 (0.090)
- Universities' contributions	-0.051 (0.104)	-0.060 (0.104)
- Governments' contributions	0.023 (0.114)	0.080 (0.114)
- Conferences' contributions	0.074 (0.103)	-
- Local exhibitions' contributions	-0.063 (0.085)	-0.101 (0.092)
- Foreign exhibitions' contributions	0.005 (0.087)	0.053 (0.078)
- Published standards' contributions	-	-0.022 (0.094)
Control variables:		
- Technology	0.298 (0.346)	0.224 (0.333)
- Employee (natural log)	-0.010 (0.088)	-0.027 (0.087)
- Structure – functional	0.191 (0.299)	0.027 (0.296)
- Learning culture	0.235 (0.161)	0.260 (0.160)
- Competitiveness	0.134 (0.151)	0.043 (0.169)
Model significance (F-test)	0.000	0.000
R^2	0.724	0.742
R^2_{adj}	0.617	0.643
N	61	61
Highest VIF score	2.682	2.969

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Consistent with the results from table 6.17, main buyers are the key source for the development of market-related AC, among the collection of variables representing contribution from experience. When the published standards variable is omitted from the model, the regression analysis indicates that domestic competitors' contributions are significantly related to the development of market-related AC. Thus, with respect to market AC; the findings contradict H5. Table 6.19 presents the four regressions that allow for full testing of the relationships between operational technology-related AC and experience.

Table 6.19 Regression results of operational technology-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1	Model 2	Model 3	Model 4
Dependent variable (AC dimension)	Opr tech (as shown in table 6.17)	Opr tech	Opr tech	Opr tech
Constant	1.023 (0.135)	0.627 (1.232)	0.245 (1.200)	0.645 (1.187)
Independent variables:				
- Country experience	-0.033 (0.185)	-0.007 (0.173)	-0.042 (0.177)	0.034 (0.178)
- Sales ratio	0.006 (0.005)	0.006 (0.005)	0.007 (0.005)	0.007 (0.005)
- Length of exporting	-0.009 (0.023)	-0.003 (0.022)	-0.007 (0.022)	-0.017 (0.022)
- Buyers' contributions	0.417*** (0.140)	0.382** (0.136)	0.336* (0.138)	0.346** (0.129)
- Suppliers' contributions	0.105 (0.133)	-	-	-
- Domestic competitors' contributions	-	-	-	0.201 (0.127)
- Foreign competitors' contributions	-	0.119 (0.115)	0.139 (0.117)	-
- FMNEs in Indonesia's contributions	0.069 (0.111)	0.022 (0.116)	0.015 (0.118)	-
- Universities' contributions	-0.122 (0.124)	-0.074 (0.131)	-	-0.059 (0.130)
- Governments' contributions	-	0.044 (0.144)	0.042 (0.146)	0.006 (0.148)
- Conferences' contributions	-0.032 (0.135)	-	-	-
- Local exhibitions' contributions	-0.096 (0.120)	-0.060 (0.111)	-	-
- Foreign exhibitions' contributions	0.232* (0.125)	0.162 (0.117)	0.182 (0.121)	0.201* (0.116)
- Published standards' contributions	-	-	-0.070 (0.115)	-0.093 (0.114)

	Model 1	Model 2	Model 3	Model 4
Dependent variable (AC dimension)	Opr tech (as shown in table 6.17)	Opr tech	Opr tech	Opr tech
Control variables:				
- Technology	0.442 (0.421)	0.609 (0.390)	0.694* (0.388)	0.654* (0.384)
- Employee (natural log)	0.001 (0.115)	0.032 (0.112)	0.048 (0.109)	0.057 (0.107)
- Structure – functional	-0.310 (0.370)	-0.201 (0.326)	-0.224 (0.331)	-0.316 (0.354)
- Learning culture	0.047 (0.190)	0.126 (0.180)	0.138 (0.181)	0.104 (0.178)
- Competitiveness	0.063 (0.192)	-0.034 (0.177)	0.030 (0.175)	0.023 (0.174)
Model significance (F-test)	0.000	0.000	0.000	0.000
R^2	0.565	0.558	0.563	0.567
R^2_{adj}	0.416	0.420	0.424	0.440
N	59	63	62	62
Highest VIF score	2.700	2.637	2.703	2.716

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Consistent with the results from table 6.17, main buyers and attending foreign exhibitions are the key sources for the development of operational technology-related absorptive capacity, among the collection of experience-related explanatory variables. In addition, among the control variables, firms in technology-oriented industries demonstrate marginally higher absorptive capacity related to operational technology in two of the models. Thus, pertaining to operational technology AC, the findings contradict H5.

Table 6.20 shows consistent results. The key sources of strategic technology related AC development among the collection of contributions from experience are sales ratio, main buyers, foreign competitors, universities and attending foreign exhibitions. Among the control variables, firms in technology-oriented industries demonstrate a tendency to have higher AC related to strategic technology. Although sales ratio demonstrates a significant positive association with strategic technology AC, its contribution is relatively marginal, compared to those of second-hand contributions. Thus, with respect to the strategic technology dimension of AC, the findings do not support H5.

Table 6.20 Regression results of strategic technology-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1	Model 2	Model 3
Dependent variable (AC dimension)	Strat tech (as shown in table 6.17)	Strat tech	Strat tech
Constant	0.665 (1.472)	0.216 (1.520)	0.887 (1.493)
Independent variables:			
- Country experience	-0.287 (0.206)	-0.208 (0.220)	-0.248 (0.225)
- Sales ratio	0.011* (0.006)	0.013* (0.006)	0.013* (0.006)
- Length of exporting	-0.044 (0.028)	-0.034 (0.029)	-0.036 (0.030)
- Buyers' contributions	0.211* (0.125)	0.177 (0.129)	0.136 (0.296)
- Suppliers' contributions	- (0.131)	-0.024 (0.131)	-
- Domestic competitors' contributions	-0.060 (0.122)	-0.040 (0.127)	-0.104 (0.125)
- Foreign competitors' contributions	0.375** (0.124)	-	0.256* (0.124)
- FMNEs in Indonesia's contributions	-0.197 (0.122)	-	-
- Universities' contributions	0.188* (0.111)	-	-
- Governments' contributions	-	0.053 (0.134)	-
- Conferences' contributions	-	-	-0.074 (0.134)
- Local exhibitions' contributions	-0.050 (0.123)	-0.103 (0.122)	-0.106 (0.130)
- Foreign exhibitions' contributions	0.248* (0.124)	0.304* (0.122)	0.297* (0.123)
- Published standards' contributions	-0.343 (0.137)	-	-
Control variables:			
- Technology	1.121* (0.477)	0.689 (0.493)	0.862* (0.504)
- Employee (natural log)	0.107 (0.127)	0.131 (0.133)	0.121 (0.133)
- Structure – functional	-0.045 (0.406)	0.023 (0.433)	-0.164 (0.444)
- Learning culture	0.156 (0.197)	0.292 (0.227)	0.221 (0.213)
- Competitiveness	0.209 (0.240)	0.054 (0.247)	-0.025 (0.240)
Model significance (F-test)	0.001	0.016	0.005
R^2	0.560	0.442	0.473
R^2_{adj}	0.389	0.256	0.301
N	57	56	57
Highest VIF score	2.611	2.688	2.272

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Table 6.21 Regression results of international business (IB) strategy-related AC, accounting for collinear variables (Standard errors in parentheses)

	Model 1	Model 2	Model 3
Dependent variable (AC dimension)	IB strategy (as shown in table 6.17)	IB strategy	IB strategy
Constant	-0.159 (1.053)	-0.099 (0.951)	-0.379 (1.111)
Independent variables:			
- Country experience	-0.035 (0.142)	-0.039 (0.141)	-0.045 (0.158)
- Sales ratio	0.006 (0.004)	0.006 (0.004)	0.008* (0.004)
- Length of exporting	0.003 (0.019)	-0.008 (0.018)	-0.008 (0.021)
- Buyers' contributions	0.332** (0.111)	0.348** (0.108)	-
- Suppliers' contributions	-	-	0.163 (0.114)
- Domestic competitors' contributions	-	0.097 (0.094)	0.108 (0.114)
- Foreign competitors' contributions	0.068 (0.086)	-	0.061 (0.105)
- FMNEs in Indonesia's contributions	0.017 (0.084)	-0.030 (0.087)	-0.001 (0.101)
- Universities' contributions	-0.138 (0.097)	-0.093 (0.091)	-0.186 (0.119)
- Governments' contributions	0.010 (0.100)	-	-
- Conferences' contributions	-	-	-0.098 (0.119)
- Local exhibitions' contributions	-0.047 (0.096)	-	-
- Foreign exhibitions' contributions	0.032 (0.092)	0.076 (0.085)	0.078 (0.095)
- Published standards' contributions	-	-0.083 (0.094)	-
Control variables:			
- Technology	0.261 (0.326)	0.303 (0.306)	0.134 (0.353)
- Employee (natural log)	0.003 (0.091)	0.016 (0.084)	0.017 (0.094)
- Structure – functional	0.100 (0.274)	0.032 (0.271)	-0.211 (0.330)
- Learning culture	0.321* (0.145)	0.304* (0.134)	0.381* (0.149)
- Competitiveness	0.200 (0.163)	0.210 (0.157)	0.352* (0.175)
Model significance (F-test)	0.000	0.000	0.000
R^2	0.608	0.635	0.592
R^2_{adj}	0.482	0.524	0.446
N	62	60	57
Highest VIF score	2.428	2.502	2.933

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Consistent with the results from table 6.17, the contribution of main buyers is the key source for the development of international business strategy-related AC, among the experience-related variables. In addition, when the buyers variable is not included in the model, sales ratio demonstrates a significantly positive relationship with absorptive capacity development with regard to international business strategy. However, the similarity of the R^2 values indicates that the contribution of the sales ratio variable is not stronger than that of the main buyers' contributions variable, demonstrating a lack of support for H5.

Among the control variables, organisational learning culture and perceived competitiveness are associated with absorptive capacity development in terms of international business strategy.

Table 6.22 summarises the results of the hypothesis testing for hypothesis 5, for each of the four dimensions of absorptive capacity: market, operational technology, strategic technology and IB strategy.

Table 6.22 Results of testing the relationship between the four AC dimensions and two types of experience (first- and second-hand)

Dependent variable (AC dimension)	Market	Opr tech	Strat tech	IB strategy	Conclusion
H5: Own experience provides a stronger contribution than second-hand experience in the decision process about entering international markets.	Contradicted	Contradicted	Not supported	Not supported	Not supported

The results suggest that, contrary to the current literature, Indonesian firms tend to consider that second-hand experience provides more contribution than

their own experience, with respect to their absorptive capacity development related to market and operational technology. Moreover, own experience does not seem to contribute significantly more than second-hand experience to the development of strategic technology and international business strategy AC. Therefore, H5 is not supported.

6.2.6 Level of experience and absorptive capacity development

Hypothesis 6 is based on the argument that the development of absorptive capacity differs between firms with high and low levels of internationalisation. Specifically, H6a predicts that less internationally experienced firms absorb knowledge related to internationalisation faster than more internationally experienced firms, and H6b predicts that less internationally experienced firms learn more from non buyer-supplier relationships than do highly internationalised firms. The subsection on speed of knowledge absorption, below, demonstrates the analysis used for assessing H6a, followed by a subsection on the sources of absorptive capacity development, to assess H6b.

Speed of knowledge absorption

In order to test hypothesis 6a about the speed of absorption, dummy variables were created to distinguish low and high levels of firm internationalisation. These dummy variables are created for each of the three indicators of internationalisation: country experience, sales ratio and length of exporting. Responses equal to and below the sample mean value are categorised as low, and responses higher than the sample mean are categorised as high. The sample means are reported in table 6.1.

As is indicated in chapter 4, country experience is a factor created from two items: the number of countries entered and the furthest market based on psychic distance between Indonesian and the targeted country. To stratify the sample based on sales ratio, firms with sales ratios less than or equal to 72% are considered to display lower internationalisation, while sales ratios in

excess of 72% are considered to represent highly internationalised firms. With regard to length of exporting, the cut point is 16 years of export experience.

The assessment of hypothesis 6a consists of two stages. First, average levels of absorptive capacity were compared between firms characterised as having low and high levels of internationalisation, using independent samples T-tests. Second, the average speeds of absorbing each of the four knowledge types were compared in the same way. T-test results for the means of absorptive capacity and the speed of knowledge absorption, by considering four dimensions of absorptive capacity, and three measures of internationalisation are displayed in appendix D.

On average, firms that are more internationalised, with respect to their country portfolios, have significantly higher absorptive capacity related to markets ($p < 0.05$) and operational technology ($p < 0.10$), relative to less internationalised firms. Moreover, the firms in the sample demonstrate no significant difference, based on country experience, with respect to strategic technology and international business strategy-related AC. There was also no significant mean difference with respect to the speed of knowledge absorption between less and more internationalised firms, across the four dimensions of absorptive capacity (see appendix D-1). Therefore, pertaining to the speed of learning between less and more internationalised firms based on country experience, H6a is not supported. Furthermore, on average, firms that are more internationalised, based on sales ratio, have higher absorptive capacity related to markets ($p < 0.01$), operational technology ($p < 0.05$) and international business strategy ($p < 0.10$), compared to less internationalised firms. The results suggest no significant difference in mean absorptive capacity related to strategic technology, as shown in appendix D-2.

The independent sample T-testing also suggests that, on average, less internationalised firms absorb knowledge with regard to markets faster ($p < 0.10$) than more internationalised firms. The speed of learning is operationalised as the years needed, following the firm's international entry, to

obtain its current level of absorptive capacity. The lower the value, the faster the speed of learning. Less internationalised firms, based on sales ratio, absorb market-related AC significantly faster than more internationalised firms ($p < 0.10$). However, the speed of learning with respect to operational technology, strategic technology and international business strategy displays no significant mean differences between low and high internationalised firms. Therefore, with respect to internationalisation based on sales ratio, H6a is marginally supported; see appendix D-2.

With respect to length of exporting, there are no significant differences in the mean levels of any of the four dimensions of absorptive capacity (see appendix D-3). However, some significant differences are observed with respect to absorption speed. On average, as indicated by the lower mean value, less internationalised firms absorb knowledge with regard to markets ($p < 0.05$) and international business strategy ($p < 0.10$) faster than more internationalised firms. No significant differences are found in the average absorption of knowledge related to operational technology or strategic technology, as is indicated by the observed significance values.

Table 6.23 summarises the T-test results for average speed of learning, for high and low levels of internationalisation, across the four dimensions of absorptive capacity. The sample data suggest that firms with lower proportions of international sales tend to learn more quickly about international markets than firms with high international sales. In addition, with respect to absorbing knowledge about both markets and IB strategy, firms with fewer years of exporting experience tend to learn faster. No significant differences are observed with respect to geographic breadth or AC pertaining to strategic or operational technology. Thus, the results provide partial support for H6a.

Table 6.23 Results of assessing the speed of knowledge absorption across four dimensions of absorptive capacity, between low and high levels of firm internationalisation

		Speed of absorbing knowledge related to				Conclusion
		Market	Opr tech	Strat tech	IB strategy	
Internationalisation dimensions	Country experience	No difference	No difference	No difference	No difference	Not supported
	Sales ratio	Lower sales ratio faster***	No difference	No difference	No difference	Partially supported
	Length of exporting	Shorter experience with exporting faster**	No difference	No difference	Shorter experience with exporting faster*	Partially supported
Conclusion regarding H6a		Partially supported	Not supported	Not supported	Partially supported	Partially supported

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Sources of absorptive capacity development

Hypothesis 6b predicts that less internationally experienced firms acquire more knowledge from non buyer-supplier relationships than do highly internationalised firms. In order to test the hypothesis, regression models for absorptive capacity are estimated, separately, for subsets of the data representing higher and lower levels of internationalisation, and including variables related to both buyer-supplier and non buyer-supplier relationships.

The dependent variables for the models are the four measures of absorptive capacity, and the independent variables pertain to non buyer-supplier relationships, along with buyer-supplier relationships. The data are stratified, as above, using the three measures of internationalisation: country experience, sales ratio and length of exporting.

For all of the modelling, the regressions were re-estimated several times, as some of the explanatory variables demonstrated collinearity. Regressions were re-run until each model's maximum VIF score was below 3, and the residual analyses reveal no evidence of heteroscedasticity or lack of independence.

Market-related absorptive capacity development

The results of regressing market-related absorptive capacity on the contributions from sources of second-hand learning (non buyer-supplier and buyer-supplier), for less and more internationalised firms, based on the three measures of internationalisation can be seen in appendix E-1. Looking at the non buyer-supplier relationships, for firms with both levels of country experience, the development of market AC is positively associated with contributions from domestic competitors ($p < 0.10$). In addition, for firms with experience in fewer countries, contributions from FMNEs in Indonesia show some evidence of being negatively associated ($p < 0.10$) with the development of market knowledge. For firms with more country experience, the contributions of foreign competitors are positively related ($p < 0.10$) to the development of market AC, as are the contributions of domestic competitors ($p < 0.10$). See appendix E-1a for these results.

However, attending local exhibitions is negatively associated ($p < 0.10$) with this market related AC dimension. The presence of positive and negative associations for both less and more internationalised results in mixed findings about the relationships between non buyer-supplier relationships and the development of market knowledge. H6b is not supported for market AC using the country-related measure of internationalisation.

Looking at buyer-supplier relationships, the contributions of buyers are positively associated with the development of market knowledge for both less internationalised firms ($p < 0.01$) and firms with broader country experience ($p < 0.05$). In contrast, suppliers' contributions offer no marginal explanatory power for either subset. Similarly, none of the control variables adds marginal explanatory power.

The regression results for market-related absorptive capacity, with the data stratified by internationalisation with respect to sales ratio, can be seen in appendix E-1b. As usual, the models are estimated several times, in order to

account for multicollinearity. Looking at the non buyer-supplier relationships, for firms with low foreign sales ratio, market-related absorptive capacity is positively associated with the contributions of domestic competitors ($p < 0.10$). However, contributions from FMNEs in Indonesia are negatively associated ($p < 0.10$) with the development of market knowledge in one of the models. For firms with higher foreign sales, the contributions of attending foreign exhibitions are positively associated ($p < 0.10$) to the development of market AC in two of the models, as are the contributions of domestic competitors ($p < 0.10$) in one of the models.

Comparison of the results for more and less internationalised firms results in mixed findings about the relationships between non buyer-supplier relationships and the development of market knowledge, accounting for internationalisation level. As a result, H6b is not supported for market AC using the foreign sales ratio measure of internationalisation.

The regression results for market-related absorptive capacity, with the data stratified by length of exporting, are displayed in appendix E-1c. Looking at buyer-supplier relationships, the contributions of buyers are positively associated with the development of market knowledge for firms with both lower and higher foreign sales ratio ($p < 0.01$). In contrast, supplier's contributions offer no marginal explanatory power for either subset. Among the control variables, both functional structure and organisational learning culture ($p < 0.10$) demonstrate some positive association with the firm's ability to develop market-related absorptive capacity for more internationalised respondents in one of the models.

Looking at non buyer-supplier relationships, for firms with shorter exporting experience, the contributions of FMNEs in Indonesia are negatively associated ($p < 0.10$) with the development of market related AC. Other non buyer-supplier variables do not add marginal explanatory power to the models for less internationalised firms. For more internationalised firms with respect to length of exporting, market-related absorptive capacity is positively associated

with attending conferences ($p < 0.10$). The negative association between the contributions of non buyer-supplier relationships to the development of market AC in these less internationalised firms, based on the time-based measure, combined with the positive contribution for more internationalised firms, provides contradictory evidence with regard to H6b.

Considering buyer-supplier relationships, there is no clear distinction with respect to how firms with less and more experience in exporting absorb market knowledge. The contributions of buyers are positively associated with the development of market knowledge for both less internationalised firm (at least $p < 0.10$) and firms with longer exporting experience ($p < 0.01$). In contrast, suppliers' contributions offer no marginal explanatory power for either subset. Among the control variables, organisational learning culture is positively ($p < 0.10$) associated with the development of market AC of less internationalised firms.

A summary of the relationships between the development of market-related AC and the contribution of non buyer-supplier relationships across the three dimensions of internationalisation is presented in table 6.24. For the less internationalised firms, the contributions of domestic competitors are positively associated with the development of market AC of firms with less country experience and lower foreign sales, while the contributions of FMNEs are negatively associated with the development of market AC across all three dimensions of internationalisation.

On the other hand, for more internationalised firms, the contributions of non buyer-suppliers are generally significant and positive for the development of market AC. For example, the contributions of domestic competitors are positively associated with market related AC of more internationalised firms when stratification is done using country-based experience and foreign sales ratio. In addition, the contributions of foreign competitors, attending foreign exhibitions, and conferences are also associated positively with the

development of market AC, each for one of the internationalisation dimensions. Only participation in local exhibitions reveals a negative association with the development of market related knowledge, using country-based experience to stratify the sample. In sum, H6b is not supported for the development of market-related AC from non buyer-supplier relationships.

Table 6.24 Results of testing the relationships between market-related absorptive capacity and the contribution of non buyer-supplier relationships (Direction in parentheses)

	Significant associations between market AC and the contributions of non buyer-supplier relationships		
	Based on country experience (shown in appendix E-1a)	Based on sales ratio (shown in appendix E-1b)	Based on length of exporting (shown in appendix E-1c)
Less internationalised Firms	Domestic competitors(+)* FMNEs in Indonesia(-)*	Domestic competitors(+)* FMNEs in Indonesia(-)*	FMNEs in Indonesia(-)*
More internationalised firms	Domestic competitors (+)* Foreign competitors(+)* Local exhibitions(-)*	Domestic competitors(+)* Foreign exhibitions(+)*	Conferences(+)*
Conclusion regarding H6b	Not supported, due to mixed association in the less internationalised firms and positive association in the more internationalised firms' learning from non buyer-supplier relationships	Not supported, due to mixed association in the less internationalised firms while positive association in the more internationalised firm's learning from non buyer-supplier relationships	Contradicted, due to negative association (FMNEs) for less internationalised firms and positive association (conferences) for more internationalised firms

* p<0.10, **p<0.05, ***p<0.01 (Note that most conservative decision is reported.)

Operational technology-related absorptive capacity development

The results of regressing operational technology-related AC on the contributions from sources of second-hand learning (non buyer-supplier and buyer-supplier), for less and more internationalised firms, based on the three measures of internationalisation (country experience, sales ratio, and length of exporting) can be seen in appendix E-2.

Looking at the non buyer-supplier relationships, for firms with less country experience, the development of operational technology AC is positively associated with contributions from foreign competitors (p<0.10), and

attending foreign exhibitions ($p < 0.05$); see appendix E-2a. Marginal to the other variables in the third model, contributions from linkages with universities display a negative association ($p < 0.05$) with the development of this aspect of AC.

In contrast, for the more internationalised firms, using this measure, operational technology AC development is not significantly associated with any of the types of non buyer-supplier relationships included in the model. H6b is partially supported for this measure of internationalisation, due to the mixed directional results for the relationships between non buyer-supplier relationships and the development of operational technology knowledge.

Looking at buyer-supplier relationships with data stratified by country experience, for less internationalised firms, the development of operational technology-related AC is positively associated with the contributions of buyers (at least $p < 0.05$) and suppliers ($p < 0.10$). On the other hand, neither buyer nor supplier relationships contribute to the development of this dimension of AC. None of the control variables adds marginal explanatory power to the development of operational technology-related AC, for either of the subsets of the data.

The regression results for operational technology-related AC, with the data stratified by internationalisation with respect to sales ratio, can be seen on appendix E-2b. Looking at the non buyer-supplier relationships, that the development of operational technology AC for less internationalised firms with respect to sales ratio is positively associated with attending foreign exhibitions ($p < 0.10$) in one of the models that exclude buyers. When this sales ratios measure is applied to the higher internationalised firms, the development of operational technology AC is positively associated with contributions from domestic competitors ($p < 0.10$), foreign competitors ($p < 0.01$), and attendance at foreign exhibitions ($p < 0.10$). In contrast, one of the models reveals a significantly negative association between attending local

exhibitions ($p < 0.10$) and operational technology AC. H6b is not supported for operational technology AC using the sales ratio measure of internationalisation.

More internationalised firms, based on this measure, appear to learn from more varied sources of non buyer-supplier relationships. However, the overlapping confidence intervals for the estimated coefficient associated with the contributions from foreign exhibitions preclude the conclusion that H6b is contradicted by these results.

Looking at buyer-supplier relationships, the contributions of buyers ($p < 0.01$) and suppliers ($p < 0.10$) are positively associated with the development of operational technology AC for less internationalised firms operationalised using foreign sales ratios. In contrast, neither the contributions of buyers nor of suppliers offer marginal explanatory power to explain the development of operational technology AC of more internationalised firms. Among the control variables, less internationalised firms operating in higher-tech industries tend to absorb more knowledge related to operational technology ($p < 0.10$) than their lower-tech counterparts as shown by one of the models. On the other hand, for higher internationalised firms with respect to sales ratio, one of the models shows that firms with functional structures tend to absorb less operational technology related knowledge ($p < 0.05$) while a stronger organisational learning culture is positively associated ($p < 0.10$) with the development of operational technology AC.

The regression results for operational technology-related AC with the data stratified by the third measure of internationalisation: length of exporting, can be seen in appendix E-2c. Considering non buyer-supplier relationships, for less internationalised firms, the development of operational technology-related AC is positively associated with contributions from foreign competitors ($p < 0.01$) and attending foreign exhibitions ($p < 0.05$). One of the models reflects a positive relationship between this dimension of AC and

contributions from attending conferences ($p < 0.10$), but negative relationships with contributions from FMNEs in Indonesia ($p < 0.10$) and attending local exhibitions ($p < 0.10$).

For the internationalised firms, using time-based experience, the only significant relationship is that of contribution from domestic competitors, which is positively associated ($p < 0.10$) with the development of operational technology-related AC in one of the models. The more extensive sources of non buyer-supplier learning for less internationalised firms, with both positive and negative associations between the contributions of these non buyer-supplier relationships and the development of operational technology-related AC, result in mixed findings for the testing of H6b. Thus, the hypothesis is partially supported, based on the operational technology dimension and the exporting experience operationalisation of internationalisation.

Looking at buyer-supplier relationships, the contributions of buyers are positively associated with the development of operational technology knowledge for both less and more internationalised firms (both at $p < 0.10$), based on the length of exporting. In contrast, suppliers' contributions offer no marginal explanatory power for either subset. Among the control variables, perceived competitiveness is positively associated ($p < 0.10$) with the operational technology-related AC development of less internationalised firms. On the other hand, stronger learning culture has a positive association ($p < 0.05$) with the development of operational technology-related AC in one of the models for higher internationalised firms.

A summary of the relationships between the development of operational technology-related AC and the contributions of non buyer-supplier relationships across three dimensions of internationalisation, is presented in table 6.25. For less internationalised firms across the three measures of internationalisation, the development of operational technology-related AC is positively associated with participation in foreign exhibitions (at least $p < 0.10$),

while the absorption of knowledge related to operational technology of less internationalised firms with respect to countries and length of exporting is positively associated with contributions from foreign competitors (at least $p < 0.10$). Moreover, when the stratification is done using time-based experience in international activity, attending conferences reveals a positive association with the development of operational technology-related AC ($p < 0.10$). However, among non buyer-supplier relationships, linking to universities offers a negative association ($p < 0.10$) with the development of operational technology-related AC of firms with less country experience, while the contributions of FMNEs in Indonesia and attending local conferences are also negatively associated ($p < 0.10$) for less internationalised firms with respect to length of exporting.

Table 6.25 Results of testing the relationships between operational technology-related AC and the contribution of non buyer-supplier relationships (Direction in parentheses)

	Significant associations between operational technology AC and the contributions of non buyer-supplier relationships		
	Based on country experience (shown in appendix E-2a)	Based on sales ratio (shown in appendix E-2b)	Based on length of exporting (shown in appendix E-2c)
Less internationalised	Foreign exhibitions(+)** Foreign competitors(+)* Universities(-)**	Foreign exhibitions(+)*	Foreign exhibitions(+)** Foreign competitors(+)** Conferences(+)* FMNEs in Indonesia(-)* Local exhibitions(-)*
More internationalised	None	Foreign competitors(+)** Domestic competitors(+)* Local exhibitions(-)* Foreign exhibitions(+)*	Domestic competitors(+)*
Conclusion regarding H6b	Partially supported, due to mixed associations found for less internationalised firms	Not supported, due to relatively less stronger association and fewer sources of non buyer-supplier relationships in the less internationalised firms, relative to the more internationalised ones	Partially supported, due to mixed associations found for less internationalised firms

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$ (Note that most conservative decision is reported.)

On the other hand, for more internationalised firms with respect to country experience, the development of operational technology AC is not associated with any of the types of non buyer-supplier relationships. The contributions of

domestic competitors are positive ($p < 0.10$) for the development of operational technology AC when stratification is done using foreign sales ratio and length of exporting.

Among the three measures of internationalisation, the most significant contributions of non buyer-supplier relationships are evident when the data are stratified based on foreign sales ratio. The contributions of foreign competitors ($p < 0.01$) and attending foreign exhibitions ($p < 0.1$) are positively associated with the development of operational technology-related AC, while attending local exhibitions reveals a negative association ($p < 0.10$).

These mixed positive and negative associations of the explanatory variables reflect partial support for H6b with respect to operational technology-related AC.

Strategic technology-related absorptive capacity

The results of regressing strategic technology-related AC on the contributions from sources of second-hand learning (non buyer-supplier and buyer-supplier), for less and more internationalised firms, based on the three measures of internationalisation, can be seen in appendix E3.

Looking at the non buyer-supplier relationships, for less internationalised firms based on country experience, attending foreign exhibitions reveals a positive association (at least $p < 0.10$) with the development of strategic technology AC, while the contributions of government also demonstrate a positive association ($p < 0.10$) in one of the models. See appendix E-3a. However, the contributions of foreign competitors and FMNEs in Indonesia are negatively associated (both at $p < 0.10$) with this strategic technology-related AC dimension.

For firms with broader country experience, none of non buyer-supplier relationships offers marginal explanatory power to the development of strategic technology-related AC. While there is clearly more contribution of

non buyer-supplier relationships to the development of this dimension of AC among firms with less country-related experience, the mixed directions of the associations mean that H6b is partially supported for strategic technology-related AC using the country-related measure of internationalisation.

For buyer-supplier relationships when the data are stratified based on country experience, neither the contributions of buyers nor of suppliers are associated with the development of strategic technology-related AC among less internationalised firms, while the contributions of buyers are positively associated ($p < 0.10$) with the development of strategic technology AC of high internationalised firms. However, suppliers' contributions offer no marginal explanatory power. Similarly, none of the control variables adds marginal explanatory power for either subset. See appendix E-3b for the regression results for strategic technology-related AC, with the data stratified by internationalisation with respect to sales ratio.

Looking at the non buyer-supplier relationships, appendix E-3b shows that, for firms with lower sales ratios, strategic technology-related AC is positively associated with the contribution of foreign competitors ($p < 0.10$) and linking with universities ($p < 0.10$). However, the contributions from attending local exhibitions are negatively associated ($p < 0.10$) with the development of strategic technology-related AC in one of the models. For firms with higher foreign sales ratios, the development of strategic technology-related AC development is positively associated attending foreign exhibitions ($p < 0.10$). Due to the mixed nature of the associations in the modelling of strategic technology-related AC (e.g., the estimated coefficients associated with universities' contributions differ from zero with 90% confidence, but the others do not), the findings provide partial support to H6b using the foreign sales ratio measure of internationalisation.

Looking at buyer-supplier relationships, neither the contributions of buyers nor of suppliers are associated with the development of strategic technology-

related AC for less internationalised firms based on foreign sales ratio. Buyers' contributions are positively associated with strategic technology-related AC among more internationalised firms. However, supplier's contributions offer no marginal explanatory power. Similarly, none of the control variables adds marginal explanatory power.

The regression results for strategic technology-related AC with the data stratified by internationalisation with respect to length of exporting can be seen on appendix E-3c. Looking at the non buyer-supplier relationships, for less internationalised firms, the development of strategic technology-related AC is positively associated with the contributions of foreign competitors ($p < 0.05$) and attending foreign exhibitions ($p < 0.10$). Governmental contributions ($p < 0.10$) reveal a positive association in one of the models.

However, the contributions from published standards are negatively associated ($p < 0.10$) with the development of strategic technology-related AC, as are the contributions of FMNEs in Indonesia ($p < 0.10$) in one of the models. For more internationalised firms, none of non buyer-supplier relationships has marginal explanatory power in the models. Due to mixed associations between non buyer-supplier relationships and the development of strategic technology-related AC of less internationalised firms, the findings provide only partial support for H6b using the time-based measure of internationalisation.

Considering buyer-supplier relationships and stratification based on length of exporting, neither the contributions of buyers nor of suppliers are associated with the development of strategic technology-related AC of less internationalised firms. The contributions of buyers are positively associated with the development of strategic-technology related AC for more internationalised firms, although supplier's contributions offer no marginal explanatory power. Similarly, none of the control variables adds marginal explanatory power for either sub-sample.

A summary of the relationships between the development of strategic technology-related AC and the contribution of non buyer-supplier relationships across the three dimensions of internationalisation is presented in table 6.26.

Table 6.26 Results of testing the relationships between strategic technology-related AC and the contribution of non buyer-supplier relationships (Direction in parentheses)

	Significant associations between strategic technology AC and the contributions of non buyer-supplier relationships		
	Based on country experience (shown in appendix E-3a)	Based on sales ratio (shown in appendix E-3b)	Based on length of exporting (shown in appendix E-3c)
Less internationalised	Foreign competitors(-)* Government(+)* Foreign exhibitions(+)* FMNEs in Indonesia(-)*	Foreign competitors(+)* Universities(+)* Local exhibitions(-)*	Foreign competitors(+)** Government(+)* Foreign exhibitions(+)* Published standards(-)* FMNEs in Indonesia(-)*
More internationalised	None	Foreign exhibitions(+)*	None
Conclusion regarding H6b	Partially supported due to mixed associations found in less internationalised firms	Partially supported due to mixed associations found in less internationalised firms	Partially supported due to mixed associations found in less internationalised firms

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$ (Note that most conservative decision is reported.)

In general, the results indicate mixed associations between the contributions of non buyer-supplier relationships and the development of strategic technology-related AC across the three measures of internationalisation. For less internationalised firms, the contributions of foreign competitors provide inconsistent outcomes: a negative association when the sample is stratified based on country experience and positive associations for the other two measures of internationalisation. The contributions from the government and attendance at foreign exhibitions display positive associations with strategic technology AC for less internationalised firms with respect to country and time based experience, while linking with universities is positively associated with the development of strategic technology AC among less internationalised firms with respect to foreign sales ratio. However, the contributions from FMNEs in Indonesia, attending local exhibitions, and published standards are

each negatively associated with the development of strategic technology AC of less internationalised firms for at least one of the measures of internationalisation. While non buyer-supplier relationships are not associated with strategic technology AC development of more internationalised firms, based on country and exporting experience, attending foreign exhibitions is positively associated with the development of this AC dimension for firms with higher sales ratios. These mixed associations provide partial support for H6b with respect to strategic technology AC development.

International business (IB) strategy-related absorptive capacity

Appendix E4 presents the results of regressing of international business (IB) strategy-related AC on the contribution from sources of second-hand learning (non buyer-supplier and buyer-supplier), for less and more internationalised firms, based on the three measures of internationalisation.

Looking at the non buyer-supplier relationships, with internationalisation operationalised based on country experience, for less internationalised firms, attending foreign exhibitions is associated positively ($p < 0.10$) with the development of IB strategy-related AC. On the other hand, for more internationalised firms, the contributions of domestic competitors are positively associated ($p < 0.10$) with the development of IB strategy-related knowledge. See appendix E-4a. In general, there appears to be no clear difference between less and more internationalised firms' learning from non buyer-supplier relationships, leading to lack of support for H6b using the country experience measure of internationalisation.

For the buyer-supplier relationships of firms stratified based on country experience, the contributions of buyers are associated positively ($p < 0.01$) with the development of IB strategy related AC among less internationalised firms, but not firms with experience in more countries. Suppliers' contributions offer no marginal explanatory power for either group. Among the control variables, for less internationalised firms, one of the models indicates that stronger perceived competitiveness is related to more absorption of IB strategy related

knowledge ($p < 0.10$). On the other hand, for firms with wider country experience, learning culture is positively associated ($p < 0.05$) with the development of IB strategy AC in one of the models.

Looking at non buyer-supplier relationships of firms stratified by internationalisation with respect to sales ratio, the results in appendix E-4b show that, for less internationalised firms, attending conferences is positively associated ($p < 0.10$) with the development of IB strategy-related AC. However, the contribution of foreign competitors is negatively associated ($p < 0.10$) to IB strategy AC in two of the models. In contrast, for more internationalised firms, the contribution of foreign competitors is positively associated ($p < 0.10$) with the development of IB strategy AC. This finding contradicts H6b, with at least 95% confidence, with respect to this particular non buyer-supplier relationship. In addition presenting in local exhibitions is negatively associated with the development of IB strategy AC in one of the models for more internationalised firms. Representing internationalisation using sales ratios, H6b has mixed evidence for most of the non buyer-supplier relationships, but is contradicted when considering the contributions of foreign competitors.

Considering buyer-supplier relationships, the contributions of buyers are positively associated with the development of IB strategy-related AC for both less internationalised firms ($p < 0.01$) and firms with higher foreign sales ratios ($p < 0.10$). In contrast, suppliers' contributions offer no marginal explanatory power for either subset. See appendix E-4b.

Among the control variables, for less internationalised firms, one of the models reveals that firms operating in more technology oriented industries tend to absorb more IB strategy-related AC. On the other hand, for more internationalised firms, organisational learning culture is positively associated ($p < 0.10$) with the development of IB strategy-related knowledge as is a firm structure that is either functional or matrix ($p < 0.10$).

Appendix E-4c shows the regression results for international business (IB) strategy-related AC with the data stratified by internationalisation with respect to length of exporting.

Looking at the non buyer-supplier relationships among less internationalised firms with respect to length of exporting, the development of IB strategy-related AC is positively associated with contributions of foreign competitors ($p < 0.10$), but negatively associated ($p < 0.10$) with the contributions of FMNEs in Indonesia and the contributions of universities ($p < 0.10$). For more experienced firms with respect to exporting, none of non buyer-supplier relationships offers marginal explanatory power to models of the development of IB strategy related AC. Considering one positive and two negative associations of non buyer-supplier relationships with the development of less internationalised firms' IB strategy related AC, H6b is not supported using length of export measure of internationalisation.

With respect to the buyer-supplier relationships, the contributions of suppliers are positively associated ($p < 0.10$) with the development of IB strategy-related AC among the less internationalised firms in one of the models, but negatively associated ($p < 0.10$) for more internationalised firms. See appendix E-4c. Buyers' contributions offer no marginal explanatory power for the less internationalised firms, but are positively associated with the development of IB strategy-related AC ($p < 0.01$) for more internationalised firms.

Among the control variables, firm size, operationalised as the natural logarithm of the number of employees, provides some interesting results. Among less internationalised firms, more employees are associated with higher absorption of IB strategy knowledge ($p < 0.10$), while the opposite relationship is observed ($p < 0.10$) in one of the models for more internationalised firms. The coefficients differ in the two subsets with 95% confidence. An organisational learning culture is positively associated ($p < 0.10$) with the development of IB strategy-related AC for less internationalised firms ($p < 0.10$) and for more internationalised firms ($p < 0.10$)

in one of the models. Moreover, perceived competitiveness is positively associated ($p < 0.10$) with the development of IB strategy related-AC in less internationalised firms.

A summary of the relationships between the development of IB strategy-related AC and the contribution of non buyer-supplier relationships across three dimensions of internationalisation is presented in table 6.27. In general, the finding show inconsistency with respect to the associations between the contributions from non buyer-supplier relationships and the development of IB strategy-related AC, between less and more internationalised firms across the three measures of internationalisation. For example, contributions from foreign competitors are associated negatively with the development of IB strategy-related AC for less internationalised firms when the sample is stratified based on sales ratio, but positively for the other two operationalisations of internationalisation. Overall, the findings related to the development of IB strategy-related AC through non buyer-supplier relationships offer no support for H6b.

Table 6.27 Results of testing the relationships between IB strategy-related AC and the contribution of non buyer-supplier relationships (Direction in parentheses)

	Significant associations between IB strategy AC and the contributions of non buyer-supplier relationships		
	Based on country experience (shown in appendix E-4a)	Based on sales ratio (shown in appendix E-4b)	Based on length of exporting (shown in appendix E-4c)
Less internationalised	Foreign exhibitions(+)*	Foreign competitors(-)* Conferences(+)*	Foreign competitors(+)* FMNEs in Indonesia(-)* Universities(-)*
More internationalised	Domestic competitors(+)*	Foreign competitors(+)* Local exhibition(-)*	None
Conclusion regarding H6b	Not supported due to no clear difference between less and more internationalised firms' relationships with non buyer-suppliers	Contradicted, specifically with respect to foreign competitors' contributions	Not supported due to negative association between the contributions from universities and FMNEs and AC development for less internationalised firms

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$ (Note that most conservative decision is reported.)

Summary of analysing level of experience and absorptive capacity development

Hypothesis 6b pertains to the associations between the contributions of non buyer-supplier relationships and the development of absorptive capacity across four dimensions: market, operational technology, strategic technology and international business strategy. The expectation was that less internationalised firms would learn more from non buyer-supplier relationships, relative to firms with more international experience. Table 4.28 summarises the relationships between the development of each AC dimension and the source of learning, for the different measures and levels of internationalisation.

The results suggest that H6b receives partial support with respect to operational technology and strategic technology AC, but no support when considering market and IB strategy AC. Interestingly, the results vary considerably, depending on how internationalisation is operationalised.

Table 6.28 Results of testing H6b, regarding the relationships between the contributions from non buyer-supplier relationships and each dimension of AC

	Market (shown in appendix E-1)	Opr tech (shown in appendix E-2)	Strat tech (shown in appendix E-3)	IB strategy (shown in appendix E-4)
Based on country experience	Not supported	Partially supported	Partially supported	Not supported
Based on sales ratio	Not supported	Not supported	Partially supported	Contradicted
Based on length of exporting	Contradicted	Partially supported.	Partially supported	Not supported
Conclusion regarding H6b	Contradicted	Partially supported	Partially supported	Contradicted

6.2.7 Technology orientation of the industry and absorptive capacity development

Hypothesis 7 predicts that firms operating in industries with different technology orientations (high-tech and low-tech) absorb knowledge differently. In the sample used for this study, the furniture, food and beverage

and textile industries are categorised as low-tech oriented industries as they involve lower skill levels and are labour intensive. The metal and electronics industries are categorised as high-tech industries.

Hypothesis 7a predicts that firms in high-tech industries absorb more knowledge from buyer-supplier relationships than do firms in low-tech oriented industries. Table 6.29 presents descriptive statistics and T-test results for comparing the average level of absorptive capacity across the four dimensions of absorptive capacity.

Table 6.29 T-test results of the AC level across four dimensions, comparing firms from low- and high-tech oriented industries

Variable (Independent samples T-test observed significance level)		Low-tech oriented	High-tech oriented
Market AC (significance 0.955)	N	81	17
	Mean	4.965	4.985
	Median	5.250	5.250
	Minimum	1	2.25
	Maximum	7	6.75
	Std. Deviation	1.406	1.318
Operational technology AC (significance 0.410)	N	77	17
	Mean	4.383	4.706
	Median	4.667	5.000
	Minimum	1	1.67
	Maximum	7	7
	Std. Deviation	1.524	1.418
Strategic technology AC (significance 0.228)	N	73	17
	Mean	4.972	5.47
	Median	5.000	6.000
	Minimum	1	2
	Maximum	7	7
	Std. Deviation	1.633	1.463
International business strategy AC (significance 0.831)	N	77	17
	Mean	4.889	4.814
	Median	5.000	5.000
	Minimum	1.33	2
	Maximum	7.00	7
	Std. Deviation	1.305	1.315

Table 6.29 shows that there is no significant difference in the average values across four dimensions of absorptive capacity (market, operational technology, strategic technology and international business strategy), between firms that operate in low- and high-tech industries. As the mean levels of absorptive

capacity are not significantly different according to industry technology level, additional stratified regression modelling was not conducted. Hypothesis 7a is not supported.

Hypothesis 7b predicts that firms operating in high-tech industries absorb knowledge faster than firms from low-tech oriented industries. T-testing was conducted to assess average speed of learning

Table 6.30 T-test results of the speed of absorption across four AC dimensions, comparing firms from low- and high-tech oriented industries

Variable (Independent samples T-test observed significance level)		Low-tech oriented	High-tech oriented
Speed of absorbing market knowledge** (significance 0.007)	N	75	17
	Mean	2.914	2.073
	Median	2.250	2.000
	Minimum	1	1
	Maximum	9	4.25
	Std. Deviation	1.817	.886
Speed of absorbing operational technology knowledge (significance 0.291)	N	64	16
	Mean	3.193	2.698
	Median	2.583	2.000
	Minimum	1	1.33
	Maximum	9	6
	Std. Deviation	2.107	1.511
Speed of absorbing strategic technology knowledge (significance 0.887)	N	64	17
	Mean	2.953	2.88
	Median	2.000	2.000
	Minimum	1	1
	Maximum	9	8
	Std. Deviation	2.00	1.764
Speed of absorbing international business strategy knowledge (significance 0.118)	N	72	16
	Mean	3.180	2.615
	Median	2.667	2.5
	Minimum	1	1.33
	Maximum	9	4
	Std. Deviation	2.008	1.057

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

As indicated in the first part of this chapter, speed of learning is operationalised as the number of years needed to obtain the company's current level of absorptive capacity; the lower the value, the faster the speed of learning. Table 6.30 presents the independent samples T-test results of

comparing the mean speed of learning between firms in low- and high-tech oriented industries, across the four dimensions of absorptive capacity.

From table 6.30 the mean speed of learning differs significantly between firms in low- and high-tech oriented industries for only one of the four dimensions of absorptive capacity: market-related knowledge ($p < 0.05$). The finding that on average, firms in high-tech industries need approximately 2.1 years to obtain their current level of knowledge, while firms in low-tech industries required 2.9 years, provides partial support for H7b with respect to this dimension of AC.

Following up on the significant finding in this first stage of the analysis for H7b, regression analysis was conducted to understand more about the sources of the firm's learning regarding market-related AC. The sample was split into two groups – firms that operate in low-tech oriented industries and those that operate in high-tech oriented ones – and the speed of market-related learning regressed on independent variables consisting of the sources of first- and second-hand experience. The regression results for the low-tech sub-sample can be seen in table 6.31. Consistent with the previous regression modelling, collinearity was detected and the affected variables are excluded from the model. Iterative modelling was conducted through extended regression analysis, for full testing of the relationships between speed of market-related AC learning and experience.

Table 6.31 shows that, among firms that operate in low-tech industries, the estimated coefficients associated with the contributions from both buyers ($p < 0.01$) and domestic competitors ($p < 0.01$) are positive. This means that the more the contributions from buyers and domestic competitors to the development of market knowledge, the more time is needed for firms to acquire market knowledge. In other words, more extensive contributions from buyers and domestic competitors are associated with slower learning about markets.

Table 6.31 Regression results of the speed of developing market-related absorptive capacity of firms operating in low-tech industries (Standard errors in parentheses)

	Firms in low technology-oriented industry		
Dependent variable (Speed of knowledge acquisition)	Market	Market	Market
Constant	-1.348 (1.270)	-1.151 (1.364)	-0.077 (1.576)
Independent variables:			
- Country experience	-0.092 (0.178)	-0.066 (0.192)	0.150 (0.217)
- Sales ratio	0.005 (0.005)	0.007 (0.005)	0.008 (0.006)
- Length of exporting	-0.006 (0.020)	0.004 (0.022)	0.008 (0.023)
- Buyers' contributions	0.605*** (0.129)	0.620*** (0.137)	-
- Suppliers' contributions	-	-0.072 (0.116)	0.140 (0.116)
- Domestic competitors' contributions	-	-	0.493*** (0.125)
- Foreign competitors' contributions	0.119 (0.035)	0.153 (0.097)	-
- FMNEs in Indonesia's contributions	-0.035 (0.107)	-0.025 (0.115)	-0.185 (0.131)
- Universities' contributions	-0.108 (0.115)	-0.70 (0.119)	-0.014 (0.132)
- Governments' contributions	0.122 (0.116)	-	-0.033 (0.141)
- Conferences' contributions	-	0.073 (0.108)	0.089 (0.132)
- Local exhibitions' contributions	-0.031 (0.110)	-0.049 (0.105)	-0.178 (0.120)
- Foreign exhibitions' contributions	0.043 (0.035)	-0.007 (0.102)	0.133 (0.100)
- Published standards' contributions	-0.89 (0.107)	-	-
Control variables:			
- Employee (natural log)	0.026 (0.108)	0.020 (0.107)	-0.004 (0.121)
- Structure – functional	0.029 (0.343)	0.152 (0.360)	-0.018 (0.400)
- Learning culture	0.244 (0.202)	0.214 (0.204)	0.525 (0.208)
- Competitiveness	0.187 (0.176)	0.116 (0.171)	-0.193 (0.195)
Model significance (F-test)	0.000	0.000	0.000
R^2	0.718	0.699	0.651
R^2_{adj}	0.597	0.567	0.497
N	50	49	50
Highest VIF score	2.493	2.473	2.829

* p<0.10, **p<0.05, ***p<0.01

While it would have been preferable to have estimated regression models for firms in both the low- and high- technology oriented industries, the small number of high-tech firms in the sample made it impossible to estimate a model for that subset, as only 12 of the 19 high technology-oriented respondent firms have complete data for the modelling. Hair et al. (1998, p.165) suggest that linear regression include at least 20 observations, and that the ratio of observations to independent variables should never fall below 5 to 1, in order to avoid the risk of misinterpreting the model due to over-fitting the sample data. Although as is indicted in chapter 4, several attempts were made to increase the response rate of high tech oriented firms, the final response was still inadequate to run the regression for this group. Thus, this study was able to investigate the learning speed characteristics only of firms from low-tech oriented industries.

6.3. HOW INDONESIAN FIRMS ENTER INTERNATIONAL MARKETS

This section explores an understanding of the firm's behaviour with respect to its absorptive capacity development. Specifically, this section investigates how AC is used in the firm's internationalisation decision, considering the institutional environment in which the firm operates. Hypothesis 8 examines the relationships between AC and the referral of the internationalisation decision. As explained in chapter 4, the referral is the actor that a firm follows with respect to entering international markets, e.g., domestic competitors, foreign competitors, and FMNEs in Indonesia. Hypothesis 9 examines the relationships between AC and the reference actions. The reference means the approach toward international entry that has been launched by others and followed by the focal firm. In this study, references include market and country selection, mode of entry and entry timing.

6.3.1 Who are the referrals in the internationalisation decision?

Hypothesis 8 predicts that, the lower the firm's absorptive capacity, the higher the likelihood that a firm follows others. As indicated in chapter 4, based on the literature, this study identifies two referrals for the internationalisation decision: competitors and FMNEs (Brouthers, O'Donnell, & Hadjimarcou, 2005, Henisz & Delios, 2001). From the qualitative analysis, this study was able to identify the important distinction of local versus foreign referrals in the context of Indonesian firms. As a result, two types of competitors are recognised for this study: domestic and foreign. In addition, FMNEs in Indonesia are identified as key sources of referral for Indonesian exporting firms. Therefore, hypothesis 8 is translated into three sub-hypotheses based on the three referrals: domestic competitors, foreign competitors and FMNEs in Indonesia.

H8a predicts that, the lower the firm's absorptive capacity, the higher the likelihood that it follows the actions of domestic competitors. H8b predicts that, the lower the firm's absorptive capacity, the higher the likelihood that it follows the actions of foreign competitors. H8c predicts that, the lower the firm's absorptive capacity, the higher the likelihood that it follows the actions of FMNEs in Indonesia. The dependent variables used to test the three hypotheses reflect the extent to which Indonesian firms mimic domestic competitors, foreign competitors, and FMNEs in Indonesia, respectively. The independent variables are the absorptive capacity measures across four dimensions: market, operational technology, strategic technology and international business strategy.

For each regression, following standard practice, VIF scores are examined and the model is redeveloped, so that the VIF scores, which indicate multicollinearity, are all below 3. Residual analysis was also performed to ensure that there is no evidence on non-constant variance (heteroscedasticity) or lack of independence. In this way, the potential of misinterpreting of the

contribution of each variable to the model is minimised. Appendix F presents these results.

None of absorptive capacity measures (or the control variables) is associated with the extent of mimicking domestic competitors. See appendix F-1. Thus, H8a is not supported.

Appendix F-2 indicates that strategic technology-related AC is negatively associated with the extent of mimicking foreign competitors ($p < 0.10$ in model 1). This result suggests that the lower the firm's strategic technology AC, the more the firm tends to follow foreign competitors' actions. The other three dimensions of AC are not associated with mimetic behaviour, marginal to the other variables in the models. Among the control variables, the higher the respondent's perception of the firm's competitiveness, the more the firm is likely to follow its foreign competitors' actions ($p < 0.10$). These findings provide partial support for H8b.

Appendix F-3 presents the results of regressing the extent of mimicking FMNEs in Indonesia on the four dimensions of AC and the control variables. Among the four dimensions of AC, contrary to the prediction, operational technology AC ($p < 0.05$) and international business strategy-related AC ($p < 0.10$) are both positively associated with the mimicking of FMNEs in Indonesia. As a result, H8c is contradicted with respect to these two dimensions of AC. Among the control variables, perceived competitiveness is positively associated with the decision to follow the actions of FMNEs operating in Indonesia (at least $p < 0.10$).

This study found that the relationship between AC and mimetic behaviour varies according to the dimension of AC and the target of mimicking. Lower strategic technology AC is associated with higher likelihood that the firm follows foreign competitors (H8b). However, contrary to the hypothesised relationship, higher levels of operational technology and international business

strategy AC are associated with more following of the actions of FMNEs operating in Indonesia (H8c). Among the control variables, the analysis found positive relationships between the firm's perceived competitiveness and its mimicking of the actions of foreign competitors and FMNEs in Indonesia. As a whole, H8 is very partially supported.

Table 6.32 Results of testing the relationships between referral and absorptive capacity (Direction in parentheses)

Dimension of AC	Referral			Conclusion regarding H8
	Domestic competitors (shown in appendix F-1)	Foreign competitors (shown in appendix F-2)	FMNEs in Indonesia (shown in appendix F-3)	
Market AC	No relationship	No relationship	No relationship	Not supported
Operational technology AC	No relationship	No relationship	(+)**	Contradicted
Strategic technology AC	No relationship	(-)*	No relationship	Partially supported
International business strategy AC	No relationship	No relationship	(+)*	Contradicted
Conclusion regarding H8	H8a is not supported	H8b is partially supported	H8c is contradicted	Partially supported

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

6.3.2 Which actions are referred?

Hypothesis 9 predicts that the lower the firm's absorptive capacity, the higher the likelihood that it mimics others' international strategic actions. As indicated in chapter 3, the international strategic actions cover three decisions: country selection, mode of entry and time to entry (Huang & Sternquist, 2007). Hypothesis 9 is subdivided to understand these three internationalisation decisions in turn. H9a-c predict that the lower the firm's absorptive capacity, the more it follows the country selections, entry mode decisions and the export timing of other internationalised firms respectively.

The regression on each type of mimetic behaviour was conducted on each type of exporting decision (country selection, entry mode and time to enter export markets) and considering the three referrals discussed with regard to H8 (domestic competitors, foreign competitors and FMNEs in Indonesia).

Appendix G presents the applicable regression models, starting with the modelling of the extent of mimicking of country selection in appendix G-1, to test H9a.

Contrary to the prediction, operational technology-related AC is positively associated ($p < 0.10$) with the extent to which firms mimic the country selection of other internationalised firms. No significant marginal relationships are observed between following country selections and the other three dimensions of absorptive capacity. Among the control variables, the firm's perceived competitiveness is positively associated ($p < 0.10$) with the decision to mimic the country selections of other internationalised firms. H9a is contradicted.

Appendix G-2 presents the regression results related to following the entry mode decisions of other internationalised firms. It indicates that the relationship between absorptive capacity and the mimicking of entry mode decisions depends on the AC dimension being considered. Contrary to the prediction, operational technology and international business strategy-related AC are positively associated with the mimicking of other internationalised firms' entry modes (both $p < 0.10$). However, consistent with the prediction, strategic technology AC is negatively associated with this type of mimetic behaviour ($p < 0.10$ in one of the models).

No marginal evidence of an association is observed between market-related absorptive capacity and the decision to mimic the entry modes of other internationalised firms. Consistent with previous findings, the firm's perceived competitiveness indicates a positive association ($p < 0.10$) with the decision to follow the entry modes of other internationalised firms. These mixed positive and negative associations of explanatory variables reflect partial support – and partial contradiction – for H9b.

Appendix G-3 displays the regression models for the extent to which Indonesian firms mimic the timing decisions of other internationalised firms

with respect to exporting. No significant associations are found for any of the four dimensions of AC or the control variables. As a result, hypothesis 9c is not supported by these data.

A summary of relationships between the reference actions and the four dimensions of AC is presented in table 6.33.

Table 6.33 Results of testing the relationships between reference actions and absorptive capacity (Relationship association in parentheses)

Dimension of AC	Reference			Conclusion regarding H9
	Mimicking country decisions (shown in appendix G-1)	Mimicking entry mode decisions (as shown in appendix G-2)	Mimicking time to entry (as shown in appendix G-3)	
Market AC	No relationship	No relationship	No relationship	Not supported
Operational technology AC	(+)*	(+)*	No relationship	Contradicted
Strategic technology AC	No relationship	(-)*	No relationship	Partially supported
International business strategy AC	No relationship	(+)*	No relationship	Contradicted
Conclusion regarding H9	H9a is contradicted	H9b is partially supported	H9c is not supported	Partially supported

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

This study found both contradictory and supportive results with respect to H9. Higher operational technology-related AC is associated with higher levels of mimicry with respect to both country selection and entry, while higher international business AC is also associated with a higher likelihood that the firm follows entry mode decisions. However, H9 receives support from the finding that the lower the strategic technology AC, the more likely it is that the firm mimics the entry modes of other internationalised firms.

Interestingly, across the four dimensions of absorptive capacity, none is associated with the decision to mimic the timing of other internationalised firms' exporting, and market-related AC is not marginally associated with any of the three forms of mimicry. Among the control variables, perceived

competitiveness demonstrates consistently positive association with the decisions to follow others' country selections and entry modes. As a whole, H9 is partially supported, but with substantial contradiction

6.4 SUMMARY OF QUANTITATIVE FINDINGS

Table 6.34 summarises the findings from the quantitative study aimed at answering two main questions. The issue of how Indonesian firms absorb knowledge is addressed by hypotheses 1-7, while the question of how Indonesian firms use the knowledge to approach international markets is addressed by hypotheses 8-9.

Table 6.34 Results of hypothesis testing

HYPOTHESIS	RESULT
HOW DO INDONESIAN FIRMS ABSORB KNOWLEDGE ABOUT ENTERING INTERNATIONAL MARKETS?	
The firm's own experience and absorptive capacity	
H1: International experience is positively related to absorptive capacity among Indonesian firms.	Partially supported
Buyer-supplier relationships and absorptive capacity	
H2: The extent of relationships with buyers and suppliers is positively related to the firm's absorptive capacity. Specifically:	Partially supported
H2a: The extent of relationships with buyers is positively related to the firm's absorptive capacity.	Partially supported
H2b: The extent of relationships with suppliers is positively related to the firm's absorptive capacity.	Not supported
Non buyer-supplier relationships and absorptive capacity	
H3: The extent of relationships with non buyers and suppliers is positively related to the firm's absorptive capacity. Specifically:	Partially supported
H3a: The extent of relationships with domestic competitors contributes positively to the firm's absorptive capacity.	Partially supported
H3b: The extent of relationships with foreign competitors contributes positively to the firm's absorptive capacity.	Partially supported
H3c: The extent of relationships with FMNEs operating in the domestic market contributes positively to the firm's absorptive capacity.	Not supported
H3d: The extent of relationships with universities contributes positively to the firm's absorptive capacity.	Partially supported
H3e: The extent of relationships with government contributes positively to the firm's absorptive capacity.	Not supported

HYPOTHESIS	RESULT
H3f: Attending conference contributes positively to the firm's absorptive capacity.	Not supported
H3g: Attending local exhibitions contributes positively to the firm's absorptive capacity.	Not supported
H3h: Attending foreign exhibitions contributes positively to the firm's absorptive capacity.	Partially supported
H3i: Reading published standards contribute positively to the firm's absorptive capacity.	Contradicted
Second-hand experience and absorptive capacity	
H4: Buyer-supplier relationships contribute more than non buyer-supplier relationships to the firm's absorptive capacity in respect to entering international markets. Specifically:	Partially supported
H4a: <i>Ceteris paribus</i> , relationships with buyers are more strongly related to the firm's absorptive capacity than non buyer-supplier relationships.	Partially supported
H4b: <i>Ceteris paribus</i> , relationships with suppliers are more strongly related to the firm's absorptive capacity than non buyer-supplier relationships.	Not supported
Experience and absorptive capacity	
H5: A firm's own experience provides a stronger contribution than second-hand experience, in the decision process about entering international markets.	Not supported
Experience and characteristics of learning	
H6: The development of absorptive capacity differs between firms with high and low levels of internationalisation. Specifically:	Partially supported
H6a: Less internationally experienced firms absorb knowledge related to internationalisation faster than more internationally experienced firms.	Partially supported
H6b: Less internationally experienced firms acquire more knowledge from non buyer-supplier relationships than do highly internationalised firms.	Partially supported
Technology and characteristics of learning	
H7: The characteristics of learning about entering international markets are different between firms from high-and low-tech industries. Specifically:	Partially supported
H7a: Controlling for experience, firms in high-tech industries absorb more knowledge from buyer-supplier relationships than do firms in low-tech oriented industries.	Not supported
H7b: Controlling for experience, firms in high-tech industries absorb knowledge faster than do firms in low-tech industries.	Partially supported
HOW DO INDONESIAN FIRMS ENTER INTERNATIONAL MARKETS?	
Who are the references?	
H8: The lower the firm's absorptive capacity, the more it is likely to follow others. Specifically:	Partially supported
H8a: The lower the firm's absorptive capacity, the more it follows the actions of domestic competitors.	Not supported

HYPOTHESIS	RESULT
H8b: The lower the firm's absorptive capacity, the more it follows the actions of foreign competitors.	Partially supported
H8c: The lower the firm's absorptive capacity, the more it follows the actions of Indonesia's FMNEs.	Contradicted
What actions are followed?	
H9: The lower the firm's absorptive capacity, the more it is likely to follow others' international strategic actions. Specifically:	Partially supported
H9a: The lower the firm's absorptive capacity, the more it follows the country selections of other international firms.	Contradicted
H9b: The lower the firm's absorptive capacity, the more it follows the entry mode choices of other international firms.	Partially supported
H9c: The lower the firm's absorptive capacity, the more it follows the timing of entering international markets of other international firms.	Not supported

CHAPTER SEVEN

DISCUSSION AND CONCLUSION

This chapter consists of two parts. First, it discusses the findings from both the qualitative and quantitative portions of this study, in order to address two key issues: how Indonesian firms absorb knowledge about international markets and how Indonesian firms use the knowledge to enter international markets. Second, it summarises the study's key findings, assesses the study's research contributions, acknowledges its limitations and provides suggestions for future research.

The objective of this study is to understand how Indonesian firms learn about international markets. The study has two main questions: how firms absorb knowledge and how firms use their absorptive capacity to approach international markets.

In order to answer the two questions, a sequential qualitative-quantitative mixed methodology was adopted. The qualitative data collection was conducted as a preliminary investigation, and the findings from this stage were used to refine the hypotheses and enhance the operationalisation of some of the measures, which were developed based on previous studies. The section below discusses how the qualitative and quantitative data collections and analyses are related to the questions driving this study. First, the hypotheses are discussed in the context of the quantitative analysis, and then the results from qualitative portion of the study are used to explain the results more comprehensively. Creswell and Clark (2007) suggest that, in order to minimise validity issues in an exploratory sequential qualitative-quantitative mixed method study, the analysis should consider the most useful findings from both the qualitative and quantitative analyses. That is the approach taken here.

7.1 DISCUSSION

This study has nine hypotheses. Seven of the hypotheses explore the ways in which Indonesian manufacturing firms absorb knowledge about international markets. The remaining two explore how Indonesian firms use their knowledge to enter international markets. Using the results from the sequential qualitative-quantitative mixed methodology, this section discusses firstly how Indonesian firms absorb knowledge about international markets (hypotheses 1-7) and secondly how Indonesian firms use knowledge to enter international markets (hypotheses 8-9).

7.1.1 How firms absorb knowledge about international markets

There are seven hypotheses pertaining to this issue. Hypotheses 1, 2 and 3 investigate the sources of the firm's knowledge. Hypotheses 4, 5 and 6 compare the contributions of different types of experience to the firm's learning. Hypothesis 7 examines the role of the industrial sector in the firm's learning. The quantitative analysis in chapter 6 shows that six hypotheses (1-4, 6 and 7) were partially supported by the data, while hypothesis 5 was not supported. Each of these hypotheses is discussed below.

Hypothesis 1

Hypothesis 1 predicts that international experience is positively related to the firm's absorptive capacity. In this study, international experience is measured by country experience (the number of countries entered and the psychic distances of the entered countries), sales ratio (ratio of foreign sales to total sales) and the length of exporting (the number of years between 2008 and the year of the firm's first exporting, without adjusting for stoppages, as the firms in this study have generally continued to export since starting). This study found that the firm's own experience, or first-hand experience, displays significant and positive relationships with two of the four dimensions of absorptive capacity (AC): markets and operational technology. Therefore, there is partial support for H1, particularly with respect to sales ratio (see tables 6.2 for details).

Previous studies have argued that a firm's own experience builds the knowledge necessary to enter international markets (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Eriksson & Chetty, 2003, Eriksson, Johanson, Majkgard, & Sharma, 2000, Gupta & Misra, 2000, Hadley & Wilson, 2003, Johanson & Vahlne, 1977). The findings of this study indicate that, of the three measures of first-hand international experience, sales-related experience is key, with regard to learning about international markets and operational technology. The higher the firm's ratio of foreign sales to total sales, the more

it tends to absorb knowledge about markets and operational technology. From the qualitative component of this study supports these statistical findings; interviewees from SEA, WHEEL and GOLD all indicated that overseas experiences helped the firms to develop their knowledge about foreign markets and operational technology.

This finding is, in part, consistent with the internationalisation process model (Johanson & Vahlne, 1977), which stresses experience as key for knowledge development. Alternate experience indicators, such as country experience (experience in different countries and entry into psychically distant markets) and the length of international operations, are not associated with these dimensions of absorptive capacity, marginal to the other variables in the model. Moreover, none of the first-hand experience measures displays a significant association with absorptive capacity related to either strategic technology or international business strategy.

Schwens and Kabst (2009) found that early internationalised firms tend to learn from sources other than their own experience for their internationalisation. Unlike Schwens and Kabst's study, this thesis involved both early and late internationalising firms. However, because the internationalisation of Indonesian firms is a relatively new phenomenon, the firms' logic may be rather similar to those of early internationalised firms. Firms that lack of international experience, or are not exposed to international markets, may compensate for their lack of experience by learning from others or best practise (Schwens & Kabst, 2009).

Studies have also claimed that experiential learning is useful when the new export market has similar characteristics to markets the firm has entered previously (Ellis, 2007). Although the questionnaire asked respondents to indicate the initial year of exporting into each of the countries that they had entered (see appendix B), many respondents did not provide this information. Therefore, this study was unable to identify the specific paths of country

selection. In general, though, the Indonesian firms in this study export mainly to Japan (52 of 97 respondents who indicated their exporting countries) and the U.S. (49 of 97 respondents who indicated their exporting countries). These two countries are both relatively far from Indonesia, in terms of psychic distance. The findings discussed above suggest that the firms in the study had difficulties in understanding those foreign markets, specifically in terms of absorbing strategic technology and international business strategy from their experience in those countries.

An alternative explanation for the results regarding own experience and the various dimensions of absorptive capacity is provided by the view that learning occurs when firms have the capacity to absorb knowledge (Cohen & Levinthal, 1990). The firms in the sample may not have had sufficient capacity to absorb additional knowledge. Earlier studies have indicated that developing country firms learn about technology through foreign direct investment, technology licensing or training, and turn key projects (Thee Kian, 2005). Indonesia's business environment however, unlike that of neighbouring countries, such as Malaysia, Thailand, and Singapore, has not encouraged the importation of new technology. In Indonesia, the policy for importing machinery and, by extension, technology, is not well developed (James & Ramstetter, 2008). Lee and Tan (2006) found that Indonesia was the lowest-ranked recipient of technology transfer among Southeast Asian countries. Consequently, firms may consider the knowledge that they have obtained abroad is not applicable or adaptable to the local situation. They may see only limited potential for exploiting their experience (country breadth and length of time) related to strategic technology and international business. As a result, firms may actually be inhibiting themselves from learning.

Hypothesis 2

Hypothesis 2 predicts that the extent of relationships with buyers and with suppliers is positively related to the firm's absorptive capacity. The results show that only buyers are significantly associated with absorptive capacity

development with respect to market, operational technology and international business strategy. The contribution from buyers is not associated with strategic technology AC, marginal to the other variables in the models. Even more surprising, the Indonesian firms in the sample demonstrate no significant association between suppliers' contributions and any of the four dimensions of absorptive capacity. See tables 6.3 and 6.4 for details.

With regard to the contributions of buyers to the development of three AC dimensions – market, operational technology and international business strategy – the findings suggest that, although previous studies have found that Indonesian firms have been the recipients of limited technology transfer (Lee & Tan, 2006), it is relationships with foreign customers that contribute to the upgrading of Indonesian firms' knowledge about international markets. This suggests that foreign customers contribute to the transfer of know-how related to aspects including product adaptation for both existing and new foreign markets, targeting multiple segments in foreign markets, identifying foreign buyers, developing new products, managing international operations and developing international business strategy (see the questionnaire in appendix B for details). The SEA and GOLD cases, discussed in chapter 5, support this finding. Through routine visits, and face to face interaction, these firms have built their understandings of the customer's requirements, in terms of design and quality, as well as acceptable price. The results of this study parallel those of Blalock (2002), who found that multinational customers helped Indonesian firms to improve their quality and pricing.

The lack of support for the hypothesis regarding the contributions of suppliers to absorptive capacity may be a function of the sample firms' characteristics. Most (71%) of the sample firms' main suppliers are local Indonesian firms, while 76% of their main buyers are foreign companies. Since this study focuses on how firms learn about international markets, these domestic suppliers may be considered irrelevant to the development of absorptive capacity about international markets.

Hypothesis 3

This study also investigated the firm's learning from non buyer-supplier relationships. Hypothesis 3 predicts that relationships with non buyers and non suppliers would be positively associated with the firm's development of absorptive capacity. The quantitative analysis indicates different contributions by various types of non buyer-suppliers to the development of the firm's absorptive capacity. Contributions from domestic competitors, foreign competitors, linkages with universities, and attendance at foreign exhibitions are positively associated with the development of absorptive capacity. On the other hand and after controlling for the other variables in the models, foreign multinational enterprises (FMNEs) operating in Indonesia, linking with the Indonesian government and attending local exhibitions are not significantly associated with the firm's absorptive capacity development. What is more, reading published standards is associated with lower development of strategic technology AC among the sample firms, contrary to the prediction.

The important finding from the testing of this hypothesis is that firms use different sources to develop different aspects of their absorptive capacity. More extensive contributions from domestic competitors and attending foreign exhibitions are associated with stronger development of absorptive capacity about markets. Foreign interactions, specifically with competitors and attending foreign exhibitions, are associated with the development of absorptive capacity regarding operational technology. Interactions with universities and foreign competitors, as well as attending foreign exhibitions, are viewed as enhancing the development of absorptive capacity development with respect to strategic technology. This quantitative finding is consistent with the experiences of two of the case firms. GOLD obtained its first international orders from connections established at a foreign exhibition, while SEA used foreign exhibitions to develop its understanding about international competition. In addition, none of the non buyer-supplier factors is associated with absorptive capacity development with regard to international business strategy. A stronger organisational learning culture is associated with

absorptive capacity development in terms of market and international business strategy, and a high-tech orientation is associated with stronger absorptive capacity with regard to strategic technology. See tables 6.5-6.10 for details.

When the findings of the two methodological approaches are compared, the quantitative portion of the study found that FMNEs, the domestic Indonesian government, and attending local exhibitions were not related to absorptive capacity development, marginal to the other variables in the models. It found also that extensive use of published standards was, contrary to the prediction, negatively associated with the development of absorptive capacity regarding strategic technology. On the other hand, the qualitative portion of the study found that WHEEL and ELECTRONICS decided on their target markets and adopted technology by investigating the practices of the FMNEs in Indonesia. WHEEL also asserts that it follows published standards to build the firm's knowledge development.

This study was developed by exploring the absorptive capacity literature, in which two stages of learning were identified: the absorption of knowledge and the exploitation of knowledge (Jansen, Van Den Bosch, & Volberda, 2005, Zahra & George, 2002). The differences between the quantitative and qualitative findings and the theoretical development of this study may be attributable to FMNEs and the home government contributing less to knowledge absorption, but rather to knowledge exploitation.

An alternative interpretation is that, although WHEEL acknowledges the contribution of published standards to the firm's knowledge development, this knowledge may not be strategic, but instead operational. The organisational learning literature suggests that competitive advantage comes from higher level learning. Too much engagement with lower level learning, such as that derived from reading published standards, may reduce the capability of the firm to exploit its strategic potential. For example, WHEEL's main focus is on technology and quality, and referring to published standards is necessary for

these aspects of the business. However, Nonaka & Konno (1998) note that published standards represent explicit knowledge, which cannot be unique to the firm and is easily copied by competitors. Tacit knowledge, on the other hand, can contribute to competitive advantage. Therefore, reliance on published standards may logically be associated with lower strategic technology AC within a firm.

Another potential explanation is that the quantitative sample is heavily low-tech, with only 19 firms from high-tech industries. In Indonesia, FMNEs and published standards exist primarily in high-tech industries. Respondent firms that operate in less-technology oriented industries may not see the relevance of published standards, as their published standards are not as up to date as those of high-tech industries. This finding, therefore, needs to be interpreted carefully.

Interestingly, both the quantitative and qualitative analyses found that none of the non buyer-supplier relationships is associated with absorptive capacity related to international business strategy. The case firms emphasised that international business strategy was developed by combining the firm's internal strengths, including its resources, structure, and ownership, and the external environment; such as available opportunities available that are specific to the firm's situation. For example, GOLD found that its international business strategy was made possible due to the firm's strength in design and having competent craftsmen, combined with demand in specific markets. Similarly, WHEEL's international business was facilitated by the firm's strength in processing fancy alloy wheels and the open market for these products. SEA's international business was established by using the owner's fishery-specific knowledge, combined with the government's policy to support exporting, and the willingness and commitment of both SEA and its buyers to develop intensive communication.

Other studies have stressed the role of government in facilitating exporting (Chetty & Patterson, 2002, Korhonen, Luostarinen, & Welch, 1996, Moini, 1998). This study, however, found that Indonesian firms view as quite limited the contribution of the government to their learning about exporting. This may be because the Indonesian government has been in a state of transition. Before 1999, Indonesia adopted a centralised policy, in which the role of government was policy making instead of public service. The decentralisation policy, launched in 1999, led the national government to be more responsive to local needs. The role of local government has been expanded, not only at the policy level, but also at the operational level. Although some of the changes are designed to provide better ways to support exporting, the capacity of the government has been hampered by its being in a development stage. The government has never been engaged in operational activities, such as providing technical assistance on how to export, including what documents are needed to support foreign transactions, how to deal with international payments, etc. The decentralised policy gave local governments the authority to establish technical service units; however, with lack of experience and knowledge, in combination with the remaining bureaucratic structure and limited capacity development among government personnel, the government is considered as providing rather limited assistance for firms' exporting activities (Perdana & Friawan, 2007). Indeed, GOLD and SEA demonstrate that the government facilitation assisted only in financial matters, such as providing funding to attend exhibitions (GOLD) or soft loans for exports (SEA). It may be that assistance of this nature may not be adequate to upgrade knowledge related to exporting.

Hypothesis 4

Hypothesis 4 aims to develop an understanding of firms' learning about international markets from second-hand experience, either from buyer-supplier or non buyer-supplier relationships. Specifically, it predicts that buyer-supplier relationships contribute more than non buyer-supplier relationships to the firm's absorptive capacity about how to enter international markets. The

analysis provided results consistent with those for hypothesis 2, in which only buyers' contributions are significantly associated with absorptive capacity development related to markets, operational technology and international business strategy. See tables 6.11-6.16 for details of the testing of hypothesis 4. Suppliers' contributions were not significantly associated with any of the four dimensions of absorptive capacity development with respect to international markets.

Comparison of the models, which considered only non buyer-supplier relationships, used to test hypothesis 3, and those used to test hypothesis 4, which included both buyer-supplier and non buyer-supplier contributions, led to slightly different findings. Contributions from domestic competitors, foreign competitors, and attending foreign exhibitions remain positively associated with the firm's absorptive capacity development. Contributions from published standards remain negatively associated with the development of absorptive capacity. Linking with universities, which was significantly positively associated with absorptive capacity development with respect to strategic technology in a model excluding buyer-supplier relationships, does not offer significant marginal explanatory power in the models that includes buyers and suppliers.

As shown in table 5.5, the qualitative findings indicate that firms may learn from variety of sources, such as buyers (ELECTRONICS, SEA and GOLD), suppliers (WHEEL), FMNEs in domestic markets (WHEEL and ELECTRONICS), non buyer-supplier relationships (ELECTRONICS, SEA, GOLD and FURN) and through proactive actions such as reading published standards and attending conferences (WHEEL, GOLD and SEA). The quantitative findings, on the other hand, provide a broader understanding, as it incorporates information from a larger collection of firms. Therefore, although WHEEL considers that its suppliers have positively affected its knowledge development, the surveyed firms do not indicate significant contributions from suppliers, on average. In addition, although reading published standards may

assist in the development of technical absorptive capacity, survey respondents indicated that heavy reliance on published standard has a negative marginal association with strategic technology AC.

The situation is similar for the control variables. Analysis of the models used to test hypothesis 4 yielded slightly different results from those for hypothesis 3. While organisational learning culture in hypothesis 3 was significantly associated with two dimensions of AC (market and international business strategy), the significant relationship between organisational learning culture and market AC was absent when the model included buyers and suppliers. This may imply some support for institutional theory. The values and customs of an organisation, as they relate to its learning culture, may be considered as taken for granted. When a consideration of buyers is included in the models for hypothesis 4, the contributions of organisational learning to market related AC may be dominated by those of the externally legitimate buyers.

Hypothesis 5

Hypothesis 5 examines the joint contribution of first-hand experience and second-hand experience to absorptive capacity development. It predicts that a firm's own experience provides a stronger contribution than does its second-hand experience, with respect to the decision process about entering international markets. There was consistent lack of support for this hypothesis.

Contrary to the prediction, second-hand experience, as indicated by buyers' contributions, was significantly associated with market and operational technology AC. Although first-hand experience related to sales shows a significant association with strategic technology, its explanatory power is somewhat weaker ($p < 0.10$) than that of foreign competitors ($p < 0.05$). Similarly, the association between first-hand experience related to sales and international business strategy is relatively not stronger ($p < 0.10$) than that of buyers ($p < 0.05$). Moreover, the significant association between experience and IB strategy AC was only found in a model that excluded buyers.

The qualitative findings may help to understand this phenomenon. Two cases indicate that experiential learning is costly and creates vulnerability for the company. For example, although SEA understands that its failure in its first exporting to the U.S. helped the company to understand about export procedures, the director maintained that the failure, and the cost associated with it, would not have happened if the company had developed its knowledge about foreign markets earlier in the process. Similarly, GOLD's manager maintained that it was fortuitous that the company obtained financial assistance to exhibit in an export market when it first introduced products for export, noting that the costs associated with understanding export markets are high, and learning from own experience may not be a good choice early in the process. SEA and GOLD adopted market penetration, rather than market expansion strategies. The managers of both firms believed that understanding international markets is difficult, and requires high commitment. By focusing on existing buyers, and penetrating existing markets, the firms have been able to develop their understanding about these markets. While Eriksson, Johanson, Majkard and Sharma (1997) argue that lack of experience leads to higher perceived costs of internationalisation, the SEA and GOLD cases demonstrate that, although the firms are involved in international markets, they regard absorptive capacity development as resulting from their partners, e.g., buyers', rather than the result of their own experience.

Hypothesis 6

This study involved firms with various levels of internationalisation. Hypothesis 6 predicts that the development of absorptive capacity differs for firms with higher and lower levels of internationalisation. These two hypotheses are discussed separately.

Hypothesis 6a

Hypothesis 6a predicts that less internationally experienced firms absorb knowledge related to internationalisation faster than more internationally experienced firms. As indicated in chapter 4, internationalisation is measured

by three indicators: country experience, sales ratio and length of exporting. Independent samples T-tests were conducted to compare the average learning speeds of more and less internationally experienced firms with respect to the three measures of internationalisation and the four dimensions of absorptive capacity (see appendix D). The quantitative analysis found that firms with less international experience tend, on average, to demonstrate faster absorption related to markets and international business strategy AC, especially when internationalisation is operationalised using sales ratio and length of exporting.

This finding, which provides partial support for hypothesis 6a, may mean that less internationalised firms with respect to sales ratio and duration of exporting experience consider that upgrading their knowledge about markets and international business strategy is a more of a priority in the earlier stages of internationalisation, relative to upgrading their operational and strategic technology AC. Firms need to dedicate resources and time so that they can deal with the demands associated with operating in international markets. Market-related AC pertains to the firm's understanding about its customers' needs and suitable target markets. This includes the ability to identify foreign buyers, adapt products to existing foreign markets, adapt products to new foreign markets and target multiple market segments in a foreign country. If firms are unable to capture this knowledge quickly, they may find it extremely difficult to improve their export sales. International business strategy AC deals with how firms manage their resources to exploit export potential. A stronger ability to cope with market and international business strategy related absorptive capacity may help to sustain a firm's exporting.

On the other hand, there was no significant difference between firms with lower and higher levels of internationalisation, with respect to average learning speed for operational technology and strategic technology AC. These findings may reflect the fact that most technology requires investment that has longer-term consequences, such as capital and human resources. Regardless of their internationalisation level, firms may have their own considerations for

decisions regarding technology investment. Previous studies have found that Indonesia is a relatively low importer of new technology (Lee & Tan, 2006, Thee Kian, 2005), which may be reflected in this result.

With respect to the speed of learning about international business strategy, the finding suggests that the shorter their exporting experience, the faster the Indonesian firms in the sample tended to learn about international business strategy. This finding may suggest learning myopia on the part of the more experienced firms. Levinthal and March (1993, p.96) argue that “...experience often is a poor teacher...”. Firms use their experience and memory to define their views of the future, which may not be similar to situations that they have faced earlier. Cognitive belief may limit the exploitation of new knowledge. Thus, on one hand, experience may provide a way to obtain knowledge, but, on the other hand, it may also limit the firm’s learning. In this scenario, less internationally experienced firms may have the chance to catch up with more experienced firms.

Although the qualitative study did not explicitly address the difference between experienced and less experienced firms’ speed of learning, it does provide some support to the quantitative finding. WHEEL and SEA, which entered international markets from inception, had stronger foreign sales achievements. These firms may have less difficulty focusing on their target markets and dedicating resources to understanding both the markets and appropriate technologies. In contrast, GOLD and ELECTRONICS, which began international operations after six and seven years of operation, respectively, reported lower international sales ratios than WHEEL and SEA.

With respect to international business strategy, Kuwada (1998) maintains that strategic learning may involve changing organisational assumptions, which may require changing the structure and rules of the organisation. Less experienced firms may have less rigid structures than do more experienced firms for supporting their exporting activities and can thus change their

structures relatively more easily to support learning about international business strategy.

Hypothesis 6b

Hypothesis 6b predicts that less internationally experienced firms learn more from non buyer-supplier relationships than do more highly internationalised firms. The hypothesis was tested across the four dimensions of absorptive capacity - market, operational technology, strategic technology and international business strategy-related knowledge - and for three measures of international experience: country experience, sales ratio and length of exporting (see appendix E for details). This hypothesis received partial support from the analysis.

Market AC development

Table 6.24 shows that, for both less and more internationalised firms with respect to country experience and sales ratio, learning about markets is associated with domestic competitors' contributions. For the more internationalised firms, market-related AC is also associated with contributions from foreign competitors. However, the contributions of FMNEs in Indonesia are negatively associated with the development of market-related AC for less internationalised firms, across three of the measures of internationalisation. It may be that the sectors where FMNEs are investing differ to the sectors in which the Indonesian export manufacturers operate. Indeed, the FMNEs in Indonesia tend to target the large Indonesian market, and this may not represent a fit with learning by the less internationalised local firms in this study.

However, when internationalisation is measured based on the length of exporting, there is no evidence that less internationalised firms learn more about markets from non buyer-supplier relationships, relative to more internationalised firms. The qualitative findings may help to explain this result. WHEEL, ELECTRONICS, GOLD and SEA indicated that firms learn continuously about markets from various sources, regardless of their level of

internationalisation. Exporters can better interpret the information when they have more experience abroad, but, non buyer-supplier relationships are necessary in both the early and advanced stages of internationalisation.

Operational and strategic technology AC development

With respect to country experience and length of exporting, less internationalised firms tended to learn more from non buyer-supplier relationships related to operational technology and strategic technology. However, the modelling of these less internationalised firms demonstrates both negative and positive marginal associations between the contributions of non buyers and non suppliers and the development of operational or strategic technology AC.

A consideration of technology has been included in research on the topic of knowledge transfer (Lee & Tan, 2006, Thee Kian, 2005). These previous studies found that, among ASEAN firms, Indonesia is the lowest recipient of technology transfer through foreign direct investment. It may be because Indonesia has no supporting policies for technology transfer and, at the company level, most firms dedicate minimal resources to research and development. Thus, the development of operational and strategic technology AC in Indonesian firms is quite challenging. With regard to non buyer-supplier relationships, this thesis found that, in the case of less internationalised firms with respect to country experience and length of exporting, the Indonesian firms in the sample learned about operational technology by attending foreign exhibitions and observing foreign competitors. Attending conferences contributed positively to the development of operational technology of less experienced firms. Contrary to the prediction, the relationship between contributions from linking with universities and the development of operational technology AC for firms with experience in fewer countries was negative. This may be because the course modules at universities in Indonesia are updated only every five years and their content might be viewed as obsolete or irrelevant to current exporting

issues. In addition, the course modules at Indonesian universities often pertain to high-technology contexts that are more applicable to other countries. Most of the lecturers at Indonesian universities have done their postgraduate study abroad, in developed countries such as Germany, Australia, the U.S. and Japan. The technologies employed in these countries are more advanced than most of those adopted by Indonesian firms. Because less internationally experienced firms may have not upgraded their technology to such sophisticated levels, the course content at Indonesian universities may not be directly relevant to less internationally experienced Indonesian firms.

Similarly, for firms with shorter exporting experience, learning about operational technology was negatively associated with the contributions from FMNEs in Indonesia and attending local exhibitions. It may be that the FMNEs operating in Indonesia adopt their operational technologies to the local context, reducing the learning opportunities for Indonesian firms. In addition, the up-to-date technology displayed at local exhibitions may not be relevant to the operational technology requirements of less internationally experienced firms. For example, the GOLD case reflects that, in the earlier stage of its exporting, the firm was able to attend a foreign exhibition, due to government support. From this experience, the company's managers realised that foreign and domestic exhibitions provide very different learning opportunities. For example, each international market has different characteristics, as jewellery involves culture, and some shapes have culture-specific meanings. From this exposure, the company learned about how to produce different shapes and designs and which technologies are appropriate for each. Such learning may not be available from FMNEs in Indonesia, as they are operating in different sectors. As the company decided to pursue international business opportunities, it has opted to attend foreign exhibitions since that time.

The sample firms with smaller sales ratios are more likely to learn about operational technology by attending foreign exhibitions. Firms with higher

sales ratios have, for their part, already obtained stronger market positions and are likely to be more concerned about maintaining those positions than they are about establishing market position. The focus of these more experienced firms appears to be more on continuously upgrading their operational technology AC by learning from foreign competitors, domestic competitors, and attending foreign exhibitions. This means that foreign exhibitions are used by both less internationalised and more internationalised firms, but for different purposes. This may be because less internationalised firms build their knowledge through foreign exhibitions, as found in the SEA and GOLD cases. Having found international exhibitions to offer effective learning, firms maintain the habit of learning through foreign exhibition. GOLD's manager, for example, maintained that, even when the company has an adequate customer base, it still maintains its exposure at foreign exhibition, as a way to remind competitors that the firm is out there.

As shown in table 6.26, this study found that, for less internationalised firms with respect to country, sales ratio and length of exporting, the development of strategic technology related AC is associated with contributions from non buyer-supplier relationships, such as foreign competitors, attending foreign exhibitions, and support from the government and universities. More internationalised firms, with respect to country experience and length of exporting, do not appear to develop their strategic technology from these non buyer-supplier relationships, while more internationalised firms with respect to sales ratio indicate that their development of strategic technology is marginally associated with attending foreign exhibitions.

Rather surprisingly, the results suggest that more extensive contributions from FMNEs operating in Indonesia are associated with lower development of strategic technology AC, especially among firms with experience in fewer countries or shorter duration of exporting experience. Moreover, contributions from reliance on published standards are also associated negatively with the development of strategic technology AC in firms with short experience. It may

be that, if the FMNEs have direct links with a firm through, for example, an OEM scheme similar to ELECTRONICS, the FMNE may have different objectives from those of the Indonesian firm and, as a result, local firms may not have as much access to learning about strategic technology. When the FMNE is not directly associated with the firm, learning may happen at a distance, and the exporting firm then needs to interpret the new knowledge and internalise it into the organisation's context, which may be difficult. In addition, with respect to published standards, because strategic technology relates to the long-term direction of the firms' investment in technology, published standards, which cover mostly operational knowledge, may not be of help in guiding the development of the firm's strategic technology.

International business strategy AC development

With regard to international business strategy, exporters with less internationalised positions are presumably trying to improve their positions in foreign markets. The findings identified different characteristics of less internationalised firms' learning across the three measures of internationalisation. Table 6.27 shows that the development of IB strategy AC among firms with less country related experience, such as entering fewer countries and engaging with close psychic distance countries, is positively associated with contributions from attending foreign exhibitions. For firms with lower export sales volume, the development of IB strategy related AC is associated positively with attending conferences, but negatively with the contributions from foreign competitors. For firms with shorter export experience, the development of IB strategy related AC is positively associated with contributions from foreign competitors, and negatively with those from FMNEs in Indonesia and linking with universities.

The development of AC related to the international business strategy of highly internationalised firms with respect to country is positively associated with the contribution of domestic competitors. Contrary to the prediction, the contribution from foreign competitors is positively associated with the

development of IB strategy related AC among firms with higher sales ratios. There is no association between non buyer-supplier relationships and this development for longer experienced firms. Thus, in general, there is no clear difference between less and more internationally experienced firms with regard to learning from non buyer-supplier relationships with respect to IB strategy related AC. For less internationally experienced firms, IB strategy may relate to the firm's adjustment and changing the paradigm of learning from a domestic focus to a foreign one. The GOLD and FURNI firms support these findings. GOLD was able to shift its focus to international markets, and align its strategy with its operational activities. However, FURNI is struggling to manage its international operations, as it has no clear target market. FURNI's strong sales performance is possible because of government intervention. However, its ability to compete in international markets is still questionable. For more internationally experienced firms, the development of IB strategy AC may be more complicated. When firms are present in several foreign markets, the development of IB strategy may relate to their abilities to integrate knowledge obtained from the different markets.

In general, this study has found that the development of absorptive capacity is very context specific. Non buyer-supplier relationships contribute both positively and negatively to the development of AC, and firms access different sources of learning according to their international situations. The particular dimension of absorptive capacity matters, with respect to how firms define whom to access and what to learn.

Hypothesis 7

This study argued that, in addition to the firm's level of internationalisation, the technology orientation of its industry may also influence its learning characteristics. Hypothesis 7 predicts that key aspects of learning about entering international markets differ between firms from industries with high- and low-tech orientations. H7a predicts that firms in high-tech industries absorb more knowledge than firms in low tech industries. Table 6.29 shows

that the average AC level between firms in high-tech and low-tech oriented industries is not significantly different across the four dimensions of AC, offering no support to hypothesis 7a.

Hypothesis 7b predicts that firms in high-tech industries absorb knowledge faster than firms in low-tech industries. The findings partially support this hypothesis, as illustrated in table 6.30. Firms in low-tech industries are slower to learn about market-related AC, on average, than are firms in high-tech industries.

Consistent with earlier literature, industry characteristics matter in the development of Indonesian manufacturers' AC with respect to markets (Johanson & Mattsson, 1988). High-tech industries, such as electronics, are characterised by regular launching of new products. On the other hand, low-tech oriented industries, such as food and beverage, tend to be relatively less innovative. Despite the fact that most of the players in these low-tech industries target the Indonesian market, competition in the domestic industry does not seem to put pressure on firms to understand about international markets. The regression results in table 6.31 show that, for firms in low-tech industries, buyers and domestic competitors contribute significantly to the development of firms' market AC. The SEA and GOLD cases indicate the important contribution of international buyers to firms' understanding of foreign markets. Through its customers, SEA learned not only about the customers' requirements but also about how to comply with different markets' importing regulations. GOLD referred to its domestic competitors to help to adapt its products to foreign markets.

Institutional changes may also influence learning behaviour differently in low- and high-tech industry environments. Before the Asian crisis of 1998, inward foreign direct investment was present in Indonesia in labour intensive industries, such as textiles and furniture. During the financial crisis, most foreign direct investors, mainly from Taiwan and Korea, withdrew their

investments in these industries. Inward foreign direct investment in Indonesian high-tech industries, on the other hand, did not follow the same path. Foreign investors in the electronics and metal industries did not withdraw from Indonesia during the 1998 financial crisis. Many Japanese investors changed their target from international markets to the domestic Indonesian market, and also revised their ownership structures, moving toward joint ventures. Since that time, Indonesia's trade and investment policy in the electronics and metal industries has developed substantially and moved towards regulating the ownership levels by foreign investors. This situation leaves firms in low-tech industries in the position of losing their close connections to foreign markets, through foreign divestment, while firms in high-tech industries have maintained their connections with foreign markets through joint ventures.

Summary of knowledge absorption

Analysis of the first seven hypotheses, based on both qualitative and quantitative findings, demonstrates that the development of absorptive capacity by Indonesian manufacturing firms is associated with both own and others' experiences (hypotheses 1-3). Among others' experience, buyers contribute more than suppliers to the Indonesian firms' knowledge development with respect to markets, operational technology and IB strategy (hypothesis 4), while the contribution of non buyer-suppliers varies according to the dimension of AC. Firms may also learn from attending international exhibitions or by investigating foreign competitors. Contrary to the prediction, FMNEs and published standards display negative relationships with the development of strategic knowledge and international business strategy AC. In contradiction to existing literature, the experience of others is considered to be more valuable than the firm's own experience (hypothesis 5). Specifically, the contributions of buyers are associated positively with the development of absorptive capacity across the four dimensions. Less internationalised firms tend to learn faster with respect to market and international business strategy AC, and less internationally experienced firms learn more from non buyer-supplier relationships with respect to operational and strategic technology than

more internationally experienced firms (hypothesis 6). Firms that operate in a high tech industry tend to learn faster than firms operating in low-tech industries, with respect to markets. Buyers and domestic competitors' contributions are positively associated with the development of market-related absorptive capacity among firms operating in low-tech industries (hypothesis 7). These findings result in partial support for six hypotheses (hypotheses 1-4, 6 and 7) and no support for hypothesis 5.

A key across the seven hypotheses is associated with the four identified dimensions of absorptive capacity: market, operational technology, strategic technology and international business strategy. These four AC dimensions, which represent an extension of the two dimensions – market and technology – generally recognised in the absorptive capacity literature (Cohen & Levinthal, 1990, McKelvie, Wiklund, Short, Lumpkin, & Katz, 2007).

Based on the results of factor analysis of the sample data, the previously-identified technological dimension was split into two: operational technology and strategic technology. The results of the qualitative portion of the study led to the consideration of an international business strategy dimension of absorptive capacity. This dimension represents knowledge that is specifically related to the firm's international operation and setting; the literature generally assumes that such knowledge is obtained through first-hand experience (Eriksson, Johanson, Majkgard, & Sharma, 1997). By incorporating this dimension explicitly, this thesis clarifies the operationalisation of absorptive capacity, allowing for a deeper understanding of how knowledge related to internationalisation is developed from both first- and second-hand experience. Thus, the unique operationalisation of absorptive capacity is drawn from the interaction of the qualitative and quantitative components of this study. The qualitative study provided an understanding of the context of absorptive capacity in the internationalisation of firms from developing country, and the quantitative study provided insights into the absorptive capacity development for a larger collection of firms..

7.1.2 How firms use knowledge to enter international markets

In order to understand how Indonesian firms use knowledge to enter international markets, this study developed two hypotheses, based on arguments that firms with lack of experience are more likely to follow others (Brouthers, O'Donnell, & Hadjimarcou, 2005, Haveman, 1993). Institutional theory was used to frame the development of these hypotheses, in which two types of mimetic behaviour are explored: referral and referenced actions.

Hypothesis 8

Hypothesis 8 investigates the referral behaviour of Indonesian firms. This study argues that, the lower the firm's absorptive capacity, the more likely it will follow others' actions. The object of referral may include domestic competitor firms, foreign competitors, or foreign MNEs in the Indonesian market. These are visible actors for Indonesian firms to follow, as indicated by the literature, and supported by the qualitative analysis.

The study found that, three of the AC dimensions – perational technology, strategic technology and international business strategy – are associated with mimetic behaviour (see table 6.32). Interestingly, the relationships between AC and mimetic behaviour vary. Contrary to prediction, the higher the firm's AC with respect to operational technology, the more likely it is to follow the actions of FMNEs. A similar result is observed for AC with respect to international business strategy (see appendix F for details). On the other hand, as hypothesised, firms with lower AC in strategic technology are more likely to follow the actions of foreign competitors. None of the regression results reflects a significant marginal relationship between domestic competitors and AC development.

The results for mimicking FMNEs and the development of operational technology and international business related AC are of particular interest. Operational technology refers to daily activities. Among the control variables,

the higher the perceived competitiveness of the firm, the more likely it is that the firm will follow FMNEs' actions (see appendix F-3 for details). Firms may perceive that these multinationals have knowledge adequate for undertaking international business, and may consider following FMNEs to be a good option for themselves. Thus, firms have two choices. They may join the competition against these FMNEs or serve niche markets identified as complementing those served by the multinationals. For example, WHEEL has developed a high level of operational technology, and an understanding of international business strategy. The firm confidently follows the internationalisation of FMNEs, specifically Japanese car manufacturers, because it feels this course of action provides it with better understanding about international markets and opportunities for extending its existing markets. This firm has found niche markets that Japanese firms may not want to enter.

Another possible explanation is that previous studies have found that FMNEs tend to have higher productivity and better sales performance than local firms, as indicated by their predominant market share in Indonesia (James & Ramstetter, 2008). Indonesian exporting manufacturers face high levels of competition from Chinese products in the U.S. and E.U. markets (James & Ramstetter, 2008, p.419), as well as in the domestic Indonesian market. Thus, Indonesian firms need to learn quickly. While emerging countries' firms generally need technical expertise (Hitt, Dacin, Levitas, Arregle, & Borza, 2000), such expertise is available only in a limited way for Indonesian export manufacturers. Mimicking multinational firms in the domestic market, or foreign competitors, may help Indonesian firms to survive. Mimicking may lead firms to learn how to improve their productivity and product quality, as well as how to target unserved foreign markets. This is not merely about investigating. It is also about implementation at the firm level. This finding provides an important linkage: the higher the firm's absorptive capacity, the more knowledge and the ability to exploit that knowledge the firm has, and the more the firm follows the actions of FMNEs. This suggests that firms that

have built adequate capacity with respect to operational technology may be more able to learn from others about strategic technology.

Interestingly, the lower its level of strategic technology AC, the more the firm tends to follow foreign competitors. Strategic technology concerns long term investment and company direction. When a firm has limited strategic technology AC, it may have difficulty in responding to the market if additional investment is required (e.g., for product adaptation). Firms cannot know, with certainty, the long term consequences of responding to a new market. Therefore, mimicking competitors who may have faced similar challenges and found solutions may help the firm to reduce the risk of bad investments. For example, when SEA first entered the international market, and customers requested specific shapes of frozen food and processes, it referred to Thai companies exporting to the U.S. – that is, to its competitors – and followed the Thai firms' technological decisions.

By not referring to domestic competitors and referring instead to foreign counterparts (either foreign competitors or FMNEs in Indonesia), Indonesian exporters may be demonstrating their commitment to improving their international performance. Previous studies have noted that firms that are unprepared for exporting and adopt 'half hearted' approaches face the prospect of limited success. Inadequate understanding of foreign markets may limit firms' abilities to respond (Leonidou, 2000). For example, GOLD indicated that understanding a foreign market was difficult and that copying domestic competitors might reduce its competitiveness, due to differences in both demand and approaches to the market. Indeed, several of the firms in this study (e.g., SEA, GOLD, WHEEL) were of the view that, in terms of product quality, delivery and service, exporting firms in Indonesia generally performed better than domestic oriented firms. Thus, mimicking domestic firms may not add value to Indonesian firms aiming to enter international markets.

Hypothesis 9

Mimetic behaviour related to exporting covers three decisions: selection of country, mode of entry and the time to entry (Brewer, 2001, Papadopoulos, Chen, & Thomas, 2002). Hypothesis 9 was developed to understand more about the internationalisation decisions adopted by Indonesian firms.

The study found that, across the four dimensions of AC, only operational technology, strategic technology and international business strategy are associated with mimetic behaviour (see table 6.33); however, the natures of the relationships between AC and mimetic behaviour vary. For details please see appendix G. Contrary to the prediction, the higher the firm's AC with respect to operational technology, the more likely it is to follow the country selection and entry mode decisions of other internationalised firms. Moreover, the higher the firm's AC with respect to international business strategy, the more likely it is to follow entry mode actions. On the other hand, in support of the hypothesis, the lower the AC with respect to strategic technology, the more likely the firm is to follow entry mode decisions of other internationalised firms. None of the regression results provides evidence of a marginal relationship between market AC and imitation of internationalisation decisions.

Operational technology AC, which measures the ability of the firm to develop new products for specific markets, identify foreign suppliers and manage foreign operations (see chapter 4 for details), is positively associated with the country selections of other internationalised firms. Entering similar countries to those selected by another firm may allow a firm to reduce the risk of having to guess about the requirements of the foreign customers. In addition, a firm may learn from others about how to cope with country-specific demands.

This study asked respondents to indicate the countries that their firms have entered. The most targeted countries by the study's respondents are Japan (50.5% of respondents), the U.S. (49%), Australia (36%), the Netherlands

(35%), Germany (35%) and Singapore (29%). Surprisingly, few of the sample firms entered markets psychically close to Indonesia (i.e., Southeast Asian countries). This is consistent with the qualitative findings. Among the case companies, GOLD, SEA and WHEEL entered the Middle East, the U.S., and Japan, respectively, all countries relatively far, in terms of psychic distance from Indonesia. This finding challenges the stages model of internationalisation (Johanson & Wiedersheim-Paul, 1975) that stresses gradual entry to international markets, from close to far psychic distance. The large psychic distance between Indonesia and the targeted countries of the sample firms suggests that the stages model seems may be less applicable in the Indonesian case than it may be in many other contexts.

In the context of institutional theory, which considers the issue of reference for organisational choices, these results shed light on the process of how firms make decisions regarding their export markets. Institutional theory holds that decision making about internationalisation is framed by the environment in which the firm operates (Davis, Desai, & Francis, 2000). The environment is considered as providing guidance as to what course to follow, thereby reducing the risk of failure. The findings from this study suggest that, because of environmental forces, firms may operate in ways that are not predicted by existing theory.

Xu and Shenkar (2002) suggest that firms choose a market to enter after considering the normative distance between institutions in the home and targeted countries. The lower the normative distances between institutions in the exporting and target countries, the more likely it is that the exporting firm will enter those countries. Although the countries targeted by Indonesian firms do not show close normative distance, the government may play a role in closing the effective gaps. The Indonesian government has established several trade agreements, such as with Japan through the Japan-Indonesia EPA (economic partnership agreement) (Soesastro & Basri, 2005). The U.S. has been shaping the economic development in the ASEAN region since 1965

(Cipto, 2007), and multinational firms from the U.S. have been operated in Indonesia since the launching of inward direct investment policies in 1970s. Indonesian firms may perceive that they have institutional support for entering these countries, and have adequate understanding of their norms, which may reduce the risk of failure. Alternatively, these firms may perceive that they have adequate operational knowledge (e.g., operational technology AC) from observing these countries' FMNEs in the domestic Indonesian market. Investigating FMNEs from a particular country, and assessing their own position in the domestic market relative to these firms, may build the Indonesian firms' confidence with respect to being able to manage their exporting in that target market.

From the strategic management perspective, previous studies have found that U.S. firms tend to prioritise their export decisions by first considering the legal and political stability of target countries, followed by market considerations and then psychic distance (Wood & Robertson, 2000). The findings from this study suggest that Indonesian firms adopt a similar course of action. Regulations in Indonesia, a developing country, change frequently. Neighbouring countries and those psychically close to Indonesia, such as Vietnam, Thailand, Malaysia, and the Philippines, are also mostly in the developing stage, and exporting to these countries may involve higher risk than exporting to a developed country with higher income levels. Indonesian firms tend to choose as their target markets lower-risk countries such as Japan and the U.S.

The empirical results suggest that, as with country selection, the higher the operational technology or international business strategy related AC, the more firms tend to copy other internationalised firms' entry modes. On the other hand, lower strategic technology AC is associated with more mimicking of other internationalised firms' entry modes. This finding is interesting, since earlier studies emphasise experience as the reason behind mimetic behaviour. Lu (2002), for example, argues that firms with limited experience tend to

imitate the entry mode approaches of successful firms. Earlier studies also argue that experience is associated with knowledge development (Johanson & Vahlne, 2003, Johanson & Vahlne, 1977). Lu's argument implies that, the lower their knowledge, the more firms tend to imitate the entry modes of other, successful firms. The present study, which examined each dimension of absorptive capacity, for both higher and lower levels of experience, produced both contradictory and supportive findings. The higher the absorptive capacity related to operational technology or international business strategy, the more firms tend to follow others' entry mode strategies. The lower the strategic technology related AC, the more likely, however, are the sample firms to follow others' entry mode strategies. Operational technology and international business strategy absorptive capacity represent the ability of firms to manage international operations and develop business. Although firms may have experience abroad and adequate knowledge, managers' rationality may be constrained by their previous experience. Decisions are quite likely to be compared with those of others, with firms constantly seeking better approaches. Mimicking the entry modes of others with strong operational technology and high international business strategy capabilities may help a firm to enhance its competitiveness in the target market. Following the entry modes of others may also help to overcome the risks associated with having less developed capacity with regard to strategic technology.

The finding of Indonesian firms' mimicking the country selection and entry modes of others provides support to the conclusion of Wood and Robertson (2000), who stated that country selection is equally important to mode of entry in exporting firms' decision making processes.

The study also found that none of the four dimensions of AC is associated with mimicry of entry timing into international markets. Time of entry should reflect the export readiness of the firm. Each firm has unique characteristics that define its readiness for export, related to its finances, human resources, production facilities, etc. This finding adds to the view that, with regard to the

internationalisation decision, time of entry is not a decision to be copied without extensive thought.

Summary of knowledge usage

Combining findings from qualitative and quantitative inquiry, this portion of the thesis has tried to understand how Indonesian firms use their absorptive capacity in the decision to enter international markets. Adopting the perspective of institutional theory, which posits that firms follow others, this thesis investigates who are the referrals for firms' actions (Hypothesis 7) and which decisions are referred (Hypothesis 8). The findings show that considering the various dimensions of absorptive capacity matters. Market absorptive capacity has no clear relationship with the referral and reference decision, while strategic, operational technology AC and international business strategy AC are associated with mimetic actions in varying ways.

With respect to the referral, the firm's strategic technology AC is negatively associated with following foreign competitors' actions. Operational technology and international business AC are positively associated with following foreign multinationals' (FMNEs) actions when entering international markets.

Market AC is not related to any of the three decisions associated with entering international markets: time to entry, country selection and entry model. Operational technology AC is associated with following both country choice and entry mode decisions of other firms, while strategic technology AC and international business strategy AC are associated with following others' entry mode decisions. Importantly, none of four AC dimensions is associated with following others' time to entry for international markets.

In general, the firm's market AC is not associated with mimetic behavior with respect to the internationalisation of Indonesian manufacturing exporters. This may indicate that knowledge about markets is something specific to the firm's

situation, and that decision makers find little value in following other firm's choices. With respect to following others, this study found that the lower the firms' strategic technology AC level, the more they tend to follow foreign competitors. On the other hand, the higher the firm's strategic technology and international strategic AC, the more they follow the entry modes of others. This means that the level of strategic technology AC provides rather limited information about a firm's tendency to follow others, which supports the tenets of institutional theory that firms tend to follow others, and that knowledge is used differently for different purposes.

7.2 CONCLUSION

This section summarises the key findings, from both the qualitative and quantitative studies, and the specific research contributions of the thesis. It is followed by the acknowledgement of some limitations of the study and suggestions for future research.

7.2.1 Key findings

This study of how Indonesian firms learn about how to enter the international market yielded key findings in several areas. First, it found that absorptive capacity in the context of Indonesian firms' learning to enter international markets has four dimensions, which extends the current absorptive capacity literature that stresses AC related to market and technology (McKelvie, Wiklund, Short, Lumpkin, & Katz, 2007, Yeoh, 2004). Analysis of the survey data indicates that the technology dimension is split into operational and strategic technology. Furthermore, international business strategy AC is an additional dimension of Indonesian firms' learning about entering international markets. These four dimensions of AC underlie the explanation of Indonesian firms' behaviour in entering international markets. Second, this study found that, unlike the previous literature related to experiential learning, Indonesian firms value second-hand experience more strongly than their own experience. Moreover, firms learn about different aspects of entering international markets from different sources of second hand experience. Third,

this study finds evidence that firms tend to follow others, with respect to international activities. The subsections below explain these key findings in more detail.

Four dimensions of absorptive capacity

The concept of absorptive capacity is used to examine the learning processes and outcomes of Indonesian firms with respect to exporting. This term is widely used to incorporate learning as both a process of knowledge acquisition and as the application of that knowledge (Easterby-Smith, Graca, Antonacopoulou, & Ferdinand, 2008, Nooteboom, 2000). That usage is followed in this research, which has extended the current literature related to international organisational learning, absorptive capacity and experiential knowledge (Cohen & Levinthal, 1990, Eriksson & Chetty, 2003, Eriksson, Johanson, Majkgard, & Sharma, 1997, Fosfuri & Tribo, 2008, McKelvie, Wiklund, Short, Lumpkin, & Katz, 2007, Zahra & George, 2002, Zahra & Hayton, 2008).

Previous studies of absorptive capacity (Cohen & Levinthal, 1990, Fosfuri & Tribo, 2008, Zahra & Hayton, 2008) and internationalisation processes (Jones, 2001, Saarenketo, Puumalainen, Kuivalainen, & Kylaheiko, 2004, Spence & Crick, 2006) have all involved high-tech firms. This study is different in that it includes firms from both high-tech and low-tech industries. Organisational theorists argue that inter-organisational learning happens when firms are similar in terms of knowledge base, structure and dominant logic (Lane & Lubatkin, 1998). The inclusion of firms from both high-tech and low-tech industries in the sample, along with the more in-depth exploration of the dimensions of absorptive capacity, has enabled this study to provide a deeper understanding of the general and specific characteristics of learning about international markets.

As a result, a key aspect of this research is the development of a more nuanced approach to operationalising absorptive capacity, through the identification of

four dimensions of absorptive capacity for firms entering international markets: market, operational technology, strategic technology and international business strategy. This is the result of breaking the usual technological dimension (McKelvie, Wiklund, Short, Lumpkin, & Katz, 2007, Yeoh, 2004) into operational technology and strategic technology components, and adding the international business strategy dimension, which is drawn from the experiential learning literature. Inclusion of the latter dimension was motivated by the finding from previous research, that the lack of internationalisation-specific knowledge is associated with high perceived cost of undertaking international expansion (Eriksson, Johanson, Majkgard, & Sharma, 1997). Including the international business strategy dimension extends our understanding of the influence of specific dimensions of absorptive capacity on both the firm's internationalisation decision and the process of obtaining the knowledge.

In addition, this study explores two stages of learning: the absorption of knowledge and then its use. By measuring AC in four dimensions and including first- and second-hand experience, this study extends our understanding of how each dimension of knowledge is developed. For example, the development of market and of operational technology related AC is each positively associated with buyers' contributions, while the development of strategic technology related AC is associated with foreign competitors, own experience and buyers. In addition, the development of international business strategy AC is positively associated with the contributions of buyers and first-hand experience. The fact that the qualitative and quantitative portions of the study provided consistent and complementary results suggests that the findings have robustness.

The four dimensions of absorptive capacity each contribute differently to the decision making process about entering international markets, with respect to referral and referred actions. Market-related knowledge is not associated with mimetic behaviour, marginal to the other variables in the models. Contrary to

expectations, operational technology and international business strategy AC relate positively with the decision to follow FMNEs' actions. Firms with stronger AC pertaining to operational technology and international business strategy are more likely to follow the country selections and modes of entry of other internationalised firms. As anticipated, the lower a firm's AC with respect to strategic technology, the more likely it is to follow foreign competitors' actions. Generally, firms with lower AC related to strategic technology tend to follow other internationalised firms' entry mode decisions.

The role of first-hand experience

First-hand experience related to internationalisation is operationalised using several measures: country experience, sales ratio and length of exporting. Using the sample of Indonesian manufacturing exporters, of the three measures, only sales ratio is significantly associated with the firm's development of absorptive capacity, specifically market and operational technology. On their own, country experience and length of exporting do not contribute significant marginal explanatory power to understanding the development of the firm's absorptive capacity across the four dimensions. However, when the analysis was conducted including both first- and second-hand experience, the development of market and operational technology AC are no longer marginally associated with any measure of first-hand experience, apart from buyers' contributions.

The theoretical model developed for this study incorporated a consideration of institutional theory, which emphasises the influence of the environment on an organisation. The findings regarding first-hand experience contribute to the institutional perspective, particularly for firms from developing countries. Despite having considerable experience of their own, the Indonesian manufacturing firms in the sample preferred to follow the actions of other firms.

Institutional theory (DiMaggio & Powell, 1983) may help to explain the situation. Internationalisation among Indonesian firms is relatively new, and new entrants into markets need legitimacy to exist. Following the practices of currently international firms may reduce Indonesian firms' risk and vulnerability. Following others is considered appropriate, as other firms may have more experience in international markets than the Indonesian exporters. Therefore, Indonesian firms may place less value on their own experience, relative to the experience of others.

The role of second-hand experience

This study also explores, through buyer-supplier and non buyer-supplier relationships, the role that second-hand experience plays in the development of the firm's absorptive capacity. Different aspects of second-hand experience contribute to specific dimensions of absorptive capacity. For example, contributions from buyers are positively associated with the development of market, operational technology and international business strategy AC, but not strategic technology AC. On the other hand, suppliers are not significantly associated with the development of any of the four dimensions of AC.

The findings for non buyer-supplier relationships are more complex. In general, positive associations are found for contributions from domestic competitors and foreign exhibitions with market AC, and for contributions from foreign competitors and foreign exhibitions with operational technology and strategic technology AC. Negative associations are identified between contributions from published standards and strategic technology AC, and no marginal associations are found between AC development and the contributions of the Indonesian government, conferences, local exhibitions and FMNEs. Investigating by firms' levels of internationalisation, this study found that, with respect to operational and strategic technology, non buyer-supplier relationships contribute more to the development of less internationalised firms' AC, compared with internationalised firms. By addressing the type of knowledge, this finding extends the work of Schwens and Kabst (2009), who

found that early internationalised firms tend to learn from others more than later internationalised firms.

The role of the institutional environment

This study found support for mimetic behaviour, specifically with regard to the decisions of FMNEs and foreign competitors and regarding country selection and entry mode. This was somewhat surprising, as the study's earlier modelling indicated that the contributions of FMNEs were not marginally associated with AC development. This may suggest the existence of knowledge spill over, and that interaction with FMNEs may not be directly related to the knowledge absorption process, but may contribute indirectly, through the knowledge exploitation process. It may also indicate that the knowledge from FMNEs has been institutionalised, and thus considered as taken for granted knowledge, and that the FMNEs' contributions to the knowledge absorption process are unacknowledged.

The findings related to country selection may reflect bilateral agreements between Japan and Indonesia and intensive development schemes by the financial agencies that link Indonesia to the U.S. Given the evidence that Indonesian firms tend to mimic others and learn from second-hand experience, the role of the institutional environment is critical. Given also that the government's contributions are not significantly associated with the development of absorptive capacity, it may be that the government needs to upgrade its understanding of the support required by Indonesian manufacturing exporters, with respect to both policy (e.g., bilateral agreements) and the operational level, in order to facilitate firms' knowledge development.

7.2.2 Research contributions

Contribution to the literature

This study combines organisational learning (Dodgson, 1993, Huber, 1991, Levitt & March, 1988, Lyles & Salk, 2007, Oyeleran-Oyeyinka, 2004) and institutional theories (Scott & Meyer, 1991), and draws on international business literature (Blomstermo, Eriksson, Lindstrand, & Sharma, 2004, Chetty & Eriksson, 2002, Forsgren, 2002). Previous studies have generally combined international business literature and either (but not both) organisational learning or institutional theory. In addition, previous studies treating internationalisation and learning have tended to consider technology oriented firms from developed countries, such the Netherlands (Van den Bosch, Volberda, & De Boer, 1999), the U.S., and Finland (Minbaeva, Pedersen, Bjarkman, Fey, & Park, 2003). By combining these theoretical perspectives, and applying them to a context comprising manufacturing exporters from both from low and high technology oriented industries in a developing country , this study brings new insights to the literature in several ways.

The first contribution is to the intersection of organisational learning and international business. The findings provide strong evidence that both the experience of the firm and the experience of others are valuable to the firm's learning about international markets. The sequential qualitative-quantitative approach has allowed this study to operationalise absorptive capacity, identifying four AC dimensions in the context of learning about entering international markets, and explore the sources of second hand experience learning, so to deepen our understanding of how each dimension of AC is developed from first- and second-hand experience.

The second key contribution relates to the intersection of the institutional theory (e.g., DiMaggio & Powell, 1983, Haveman, 1993, Huang & Sternquist, 2007, Scott, 1987, Westphal, Seidel, & Stewart, 2001) and international business literatures (e.g. (Johanson & Vahlne, 2003, Johanson & Vahlne,

2003, Johanson & Vahlne, 2006, Johanson & Vahlne, 1990, Johanson & Vahlne, 2009, Liesch, Welch, Welch, & McGaughey, 2002, Pla-Barber & Escribá-Esteve, 2006, Steen & Liesch, 2007, Turnbull, 1987). The data indicate that Indonesian manufacturing firms do not rely, solely on their own experience to justify their internationalisation approaches, but also rely heavily on the experience of others, which provides legitimacy. Institutional theory offers a framework for understanding how developing country's firms interpret information and experience, which leads to an understanding of an approach for developing a learning framework for firms in the context of particular institutional settings, such as Indonesia. This study also extends the contribution of institutional theory to analysis carried out at the level of the firm. Its exploration of referral and referred action clarifies and improves our understanding of how others influence the firm's decision making.

The third academic contribution is one of research methodology. In the field of international business, few studies have, to date, used a mixed methodological approach (Hurmerinta-Peltomaki & Nummela, 2006). This study adds to the small body of sequential qualitative-quantitative exploratory research relating to firms from developing countries. The qualitative component was used to develop the literature-defined measures planned for the quantitative study. In addition, the quantitative and qualitative studies complement each other and help to develop more comprehensive explanation of the findings. For example, the international business strategy dimension of absorptive capacity was suggested through exploration in the qualitative portion and then operationalised and tested in the quantitative portion.

Last, this study extends our understanding of internationalisation of firms from developing countries. Current studies on internationalisation tend to focus on China (e.g. Cheung & Leung, 2007, Houman, 2008) and India (e.g. Bhaumik, Gangopadhyaya, & Krishnan, 2008, Chittoor & Ray, 2007, Jansson, 2002). Conducting a study in the context of Indonesia, the fourth most populated country in the world and also a developing economy, may provide a more

comprehensive understanding of the internationalisation processes of firms from developing countries.

Contribution to policy makers

The policy-related contribution of this study covers strategic and operational policies for international business development.

At the strategic level, by considering both high-tech and low-tech manufacturing firms, this study provides a comparison that may add a more comprehensive understanding of the relationship between sectoral characteristics and the firm's absorptive capacity development. Learning involves adapting or changing paradigms. Deeper understanding of the sector and the characteristics of firms within a sector may help the development of policies to support Indonesian firms' learning about international markets.

The results of this study shed light on the relationships between FMNEs in Indonesia and the development of Indonesian manufacturing exporters' absorptive capacity. It is important to note that FMNEs' operations are framed by foreign direct investment policy, which is under the control of the investment bureau. In contrast, international business policy, which governs exporting, is developed under the auspices of the ministry of trade. Although, theoretically, these institutions should coordinate their policies and actions, in the reality is that coordination across departments and governmental levels (e.g. national, provincial and district) are a real challenge of economic development in Indonesia (e.g. see Perdana & Friawan, 2007). This may help to explain the limited impact of FMNEs in Indonesia on local firms' absorptive capacity development. Hence, this study's results provide support for the notion that inward and outward internationalisation policies should be developed in a coordinated manner (Karlsen, Silseth, Benito, & Welch, 2003, Korhonen, Luostarinen, & Welch, 1996). For a developing country, inward direct investment may be used as a vehicle for the transfer of knowledge. However, the capacity to absorb the knowledge defines the effectiveness of

knowledge transfer (Tsai, 2001). Therefore, the development of a solid supply chain within the country calls for adequate competence at each stage. Indonesia's export oriented inward direct investment policy should also be administered in a supportive manner, as absorptive capacity can be exploited more effectively in an encouraging environment (Criscuolo & Narula, 2008).

At the operational level, encouragement and support could usefully be extended to the education sector, in order to develop human resource capabilities and enable firms to more effectively use the knowledge spill-over from the inward direct investment for approaching export markets. Oyeleran-Oyeyinka (2004) found that internships proved to be a useful approach for improving the technological knowledge of African firms. A similar approach could be adopted for Indonesia with the training of local employees at machinery suppliers' factories abroad, leading to improved understanding about technological development among the local workforce.

Policy makers might also consider developing incentives for conducting international business research, which is a new field in Indonesia. Universities, for example, could be given incentives to engage in international linkages and undertake joint research with institutions abroad. Such measures would enable policy makers and universities to learn quickly about international business, its changes and applicability to Indonesia's situation.

By understanding that Indonesian firms need to learn about four dimensions of knowledge (market, operational technology, strategic technology and international business strategy) and that the learning is mainly related to buyers, the government may want to encourage more foreign customers to help their Indonesian suppliers to learn. Programmes such as a reward for best buyers, nominated by exporters, and free air tickets to support regular visits between the Indonesian supplier and foreign buyers might help Indonesian companies to learn faster while managing the cost of learning.

The government may also benefit from recognising countries with the best customers, and establish bilateral relationship to strengthen the business relationships between Indonesia and the buyers' home countries.

The findings from this study suggest that operational technology is learned by attending foreign exhibitions. At the moment, there is no clear framework for knowledge sharing among firms that have attended foreign exhibitions and those that have not. Policy makers may consider introducing fora to encourage such knowledge sharing, which can help both newly internationalised firms and their more experienced counterparts to learn from each other.

Contribution to practitioners

This study has identified four dimensions of absorptive capacity – market, operational technology, strategic technology and international business strategy – in the context of learning about entering international markets. By understanding the sources of learning, whether from first or second hand experience, and the specific dimensions of absorptive capacity and how they are used in the decision making process, this study may help managers to better address the international learning process in their organisations. Specifically, this information is expected to be useful with respect to the internationalisation of Indonesian firms, which have seldom been studied in such a manner.

Relationships with buyers offer the potential to develop understanding about markets, operational technology and international business strategy. Through interactions with foreign competitors, firms may learn more about strategic technology. Attending foreign exhibitions may help firms to upgrade their operational and strategic technology. Managers may be advised to consciously be open to the potential for learning in these situations.

The qualitative study found that published standards help firms to comply with technical specification. Interestingly, quantitative study found that, on average,

firms that rely more heavily on published standards tend to have lower levels of strategic technology absorptive capacity. This suggests that, while published standards are necessary to ensure compliance with business norms, firms need to make careful use of this source of learning, as they need to balance both operational and strategic technology in order to compete effectively in international markets.

In order to facilitate the process of knowledge development, the conscious establishment of an organisational learning culture is expected to be valuable. Such a learning culture would emphasise ongoing improvement, enhancing the skills and capabilities of employees, and adoption of a participatory organisational and management style, as well as highlight co-ordination and communication across functions.

With respect to the decision to enter international markets, the results suggest that observing and following the country selections of other internationalised firms facilitates the firm's absorptive capacity development. Moreover, mimicking the entry modes of other internationalised firms may also reduce the risk of failure with respect to entering international markets. New entrant firms may do well to identify their international references, such as exporters firms in a similar industry, and observe those organisations' country selections and entry modes, to better understand the characteristics of international markets while developing their own absorptive capacity.

7.2.3 Limitations of the study

As is true for all empirical research, this study is subject to limitations. First, it is based on firms from a single country, Indonesia, and is cross-sectional, rather than longitudinal in nature, both of which limit the generalisability of its findings. Differences in country characteristics, such as population size and institutional environment, may limit the relevance of its findings. In addition, learning is a process. Although secondary information was accessed to provide more historical perspectives, both the qualitative and quantitative information

is based on the memory of the respondents, a fact that must be considered when interpreting the results.

Secondly, this study is based on a relatively limited number of respondents, and the sample for the quantitative study is made up of an unequal number of responding firms operating in low- and high-tech oriented industries. Although the mixed sequential qualitative-quantitative method was employed, providing more in-depth understanding of the phenomena of interest, and reminder letters were sent to potential respondents of the survey, the relatively small sample size means that the results of this study need to be interpreted carefully. In addition, not all respondents answered the survey questions completely, meaning that the regression modelling was unable to make use of the full sample.

Third, this study aims to explore how firms learn about entering international markets. Learning, as defined in the literature, includes both the process and its outcome, but the operationalisation of learning has, to date, focused on either the process or the outcome. This study, therefore, turned to the organisational learning literature and its studies of absorptive capacity, where both the definition and the operationalisation are consistent, in order to cover both the process and the outcome of learning. To date, however, studies of absorptive capacity have not focused extensively on international business. While this study adds to the literature by linking the concepts and operationalisation of absorptive capacity and learning, and has used published measures when available, the fact that the context differs to those of previous studies may have contributed to some less-than-optimal reliability scores (between 0.6 and 0.7).

Fourth, the quantitative data were collected from a single source for each company, raising the potential for common method bias. This approach was considered necessary, considering the fact that firm-level research is still not common in Indonesia, meaning that co-operation from managers can be a

challenge, as evidenced by the inherent difficulties of obtaining even one response per company. The fact that the interview findings are so consistent with the survey results provides some confidence that common method bias is not severe.

Last, the quantitative study is based on data collected using a self administered survey, which assumed that the respondents were accountable and provided complete and honest responses. This approach was adopted in consideration of time and budget constraints. However, in a developing country, where the community is not familiar with the survey approach, a self administered questionnaire may reduce the rate of response. A guided survey with an interesting questionnaire design may provide a stronger response.

7.2.4 Future research suggestions

Like most exploratory research, this study opens up a number of potential topics for future research.

First, it would be helpful for future studies to include firms from more than one country. By considering firms from similar institutional settings, such as countries within particular regions (e.g., Indonesia, Malaysia and Thailand, following Thee Kian (2006)), or including firms from different institutional settings, such both developed and developing countries, a better understanding may be gained of the subtleties of absorptive capacity and its contributions to decisions about how to approach international markets.

Second, this study measured international country experience by the number of countries entered and psychic distance. Understanding more about the timing of the decisions to enter particular markets may provide a more comprehensive understanding about the internationalisation learning process. Although the survey instrument used in this study asked respondents to indicate their firms' countries entered and the year of each entry, there was a low response to the entry timing questions. Further research, with improved

methodology, may extend our understanding of how firms learn about international markets.

Third, this study was conducted at the firm level, and did not explore whether respondent companies produced and exported one product or multiple products. By exploring the question at the product level, future studies may obtain a fuller picture of learning about international markets.

Last, in the current global and knowledge economy, firms may learn from online materials. This study was developed using the current literature on experiential and non experiential learning, based on a network approach. Within the network approach, and institutional theory, relationships are considered as consisting of two types: technical and social. In the literature, technical refers to buyer-supplier and social refers to non buyer-supplier. Although non buyer-supplier learning in this study includes ‘published standards’, this may only cover some of the online materials available. Therefore, future research may investigate how learning from such resources contributes to the firm’s absorptive capacity.

7.2.5 Concluding remarks

In conclusion, this study has three major findings. First, the absorptive capacity (AC) related to entering international markets of Indonesian firms is found to have four dimensions: market, operational technology, strategic technology and international business strategy. The previously-identified absorptive capacity dimensions were market and technology, which were mainly developed based on studies of firms from developing country and in the context of high-tech sectors. This study found that, for Indonesian firms, the technological dimension was split into two (operational technology and strategic technology). In addition, the international business strategy dimension is an additional dimension, not previously identified in empirical studies of absorptive capacity, but consistent with the international learning literature.

Second, this study found that second-hand experience, especially with respect to buyers, was positively associated with the firm's absorptive capacity development across all four dimensions. With respect to non buyer-supplier relationships, foreign competitors and establishing linkages with universities contribute to strategic technology AC, while attending foreign exhibitions contributes to operational and strategic technology AC. Contrary to predictions, reliance on published standards was negatively associated with the development of strategic technology AC.

Third, this study found that the institutional theory perspective sheds light on Indonesian firms' internationalisation decision processes. Foreign multinational enterprises (FMNEs) operating in Indonesia are used as references for choosing target markets. Indonesian firms tend to follow the country selection and entry modes of others, but not time of entry.

This study implies that, for emerging country firms such those in Indonesia, entering international markets means that firms need to deal with both new technology (strategic technology, innovation) and learning quickly to cope with operational technology. However, this study is conducted in a single country, and using data collected during one period. Further research may help to test the model by including firms from several developing countries in a longitudinal study and considering more than a single source of information for each firm.

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APPENDICES

APPENDIX A INTERVIEW PROTOCOL

Appendix A-1 Interview protocol (English version)

VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wananga o te Upoko o te Ika a Maui

RESEARCH INFORMATION SHEET

LEARNING FROM NETWORKS TO ENTER INTERNATIONAL MARKETS: STUDIES OF
INDONESIAN FIRMS

Dear Sir/Madam,

My name is Janti Gunawan. I am in the process of completing my PhD thesis at Victoria University of Wellington, New Zealand. My study is entitled 'Learning from Networks to enter international markets: Studies of Indonesian firms'. This study aims to enhance our understanding of how Indonesian firms learn from their networks about knowledge necessary to enter and maintain international markets, and use the knowledge gained from networks to shape firm actions in entering international markets.

I would like to invite you to participate in this research, which will be conducted by personal interview. The interview will take approximately two hours and will take place at your office. All information provided in the interview is confidential. Following strict procedures for research involving human subjects at Victoria University of Wellington, this study has been assessed and approved by Faculty of Commerce and Administration's Human Ethics Committee. Here, I also attach the interview script for your consideration. If you are agree to participate in this research, please reply with the acceptance form provided, and fax it to 031 5939362. I will contact you and arrange an interview time at the most convenient time for you.

Thank you very much for your time and help in making this study possible. As a gesture of my appreciation for your contribution, I will happily forward a report to you outlining the study's findings and conclusions in electronic form.

For additional information about this research, do not hesitate to contact me.

Janti Gunawan

PhD student, Department of International Business

Victoria University of Wellington, email: janti.gunawan@vuw.ac.nz or

I can be contacted at:

Sepuluh Nopember Institut of Technology, Surabaya – Indonesia

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VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wananga o te Upoko o te Ika a Maui

INTERVIEW CONSENT FORM

LEARNING FROM NETWORKS TO ENTER INTERNATIONAL MARKETS:

STUDIES OF INDONESIAN FIRMS

This consent form outlines my rights as a participant in the study entitled 'Learning from networks to enter international markets: Studies of Indonesian firms', conducted by Janti Gunawan, PhD Student in International Business, Victoria University of Wellington, New Zealand.

The interview will explore my knowledge about how my firm develops and uses knowledge from networks to enter international markets.

The interview will take about two hours, and I understand that:

- My participation is entirely voluntary. I agree to be interviewed for the purpose of the study.
- The purpose and nature of the interview has been explained to me, and I have read the information sheet as provided by the researcher.
- I agree that the interview may be electronically recorded.
- Any questions that I have asked about the purpose and nature of the interview and research have been answered satisfactorily.
- I have the right to decline to answer any questions asked.
- I have the right to withdraw my consent to participate in this study at any time, without penalty.

Please choose one (circle the appropriate number):

1. I understand that the student may wish to pursue publication at a later date and my name or the company may be used
2. I do not wish my name or the company to be used or cited, or my identity otherwise disclosed.

Name of interviewee:

Signature of interviewee:

Date.....

I have explained the research and the implications of being interviewed to the interviewee and I believe that the consent is informed, and that he/she understands the implications of participation.

Name of interviewer: Janti Gunawan

Signature of interviewer:

Date.....

LEARNING FROM NETWORKS TO ENTER INTERNATIONAL MARKETS:

STUDIES OF INDONESIAN FIRMS

INTERVIEW PROTOCOL

A. General information about interviewee:

- job title
- years of experience in the company
- years of experience in international business.

B. General information about the company:

- main products
- type of ownership (full indigenous ownership, non indigenous ownership – Chinese Indonesian firm¹, joint venture)
- year of establishment
- history of the firm's legal status (if applicable)
- number of employees.

C. The firm's internationalisation:

- the number of countries entered
- the list of countries entered
- the choice of international entry (establishing a contract with a new distributor or agent in a new country, doing business with new customers in a new market, developing business expansion with existing customers, expanding sales volume and coverage of existing market with one or more new customers, entering a new foreign market with an existing customer, integrating existing markets)
- the years of entries
- the ratio of foreign sales to total sales in the most recent fiscal year.

¹ The identification of Chinese-Indonesian firms is solely to understand the characteristics nature of business networks, considering that indigenous firms may involve in different networks with Chinese firms. This question is developed by considering the inputs from the School of Marketing and International Business' research committee.

D. The firm's absorptive capacity: The extent to which the company has gained knowledge and/or skill about

- international cooperative agreements
- foreign laws/norms/standards
- confidence in managing different country risks
- international operations
- foreign business opportunities
- penetrating new foreign markets
- identifying foreign buyers
- adapting products for local markets
- targeting multiple market segments in a foreign country
- managing foreign partners
- tracking customer needs and trends
- developing new product designs for overseas markets
- improvements in product development
- process (manufacturing) improvements
- identifying emerging technologies.

E. The firm's networks

E1. In comparison to the firm's situation, an indication of the internationalisation levels of the firm's main customers and, suppliers (e.g., 'much lower' through to 'much higher'), including

- length of international operation
- the diversity of the countries they have entered
- the diversity of their types of customers
- the diversity of their products.

E2. Which social networks has the firm joined:

- in relation to the market: e.g., trade associations, chambers of commerce, government export promotion programmes
- in relation to operations: e.g., professional associations, research collaborations

- others: e.g., community development groups, cultural groups, university associations
- Are these local, national or global networks?
- What proportion of these networks consists of global players?
- To what extent do these networks overlap with the firm's own market, operation and technology?

F. Learning process:

- To what extent do buyers or suppliers influence the firm's absorptive development, in terms of market, institution and operation, as indicated in the absorptive capacity section above? Why does it happen?
- To what extent does the social network influence the firm's absorptive capacity? Why and how does it happen?

G. Internationalisation behaviour – and explanation of the firm's internationalisation process:

- To what extent does the firm use its own knowledge to expand overseas?
- To what extent do others influence the internationalisation of the firm?
- To what extent does organisational culture influence the firm's internationalisation?
- What culture is emphasised in the organisation?

Appendix A-2 Interview protocol (Bahasa version)

VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wananga o te Upoko o te Ika a Maui

LEMBAR INFORMASI RISET

BELAJAR DARI NETWORK UNTUK MASUK DAN BERSAING DI PASAR

INTERNASIONAL: STUDI PERUSAHAAN INDONESIA

Yang terhormat Bapak/Ibu Direktur Perusahaan,

Perkenalkan nama saya Janti Gunawan. Saya sedang dalam tahap menyelesaikan program doktorat di bidang International Business, Victoria University of Wellington, New Zealand. Studi saya bertopik 'Belajar dari network untuk masuk ke pasar internasional: Studi perusahaan Indonesia'. Studi ini bertujuan untuk meningkatkan pemahaman kita tentang bagaimana perusahaan – perusahaan Indonesia belajar dari networknya untuk memperoleh pengetahuan agar dapat masuk dan bersaing di pasar internasional, dan kemudian menggunakan pengetahuan tersebut untuk menentukan langkah-langkah perusahaan di pasar internasional. Diseminasi hasil studi diharapkan mampu menggerakkan usaha-usaha di Indonesia untuk belajar dan maju bersama menuju pasar global.

Jika produk perusahaan bapak/ibu masuk ke pasar ekspor, maka saya ingin mengundang Bapak/Ibu pengambil keputusan di bidang ekspor untuk berpartisipasi dalam riset ini. Untuk perusahaan yang berada di Surabaya dan sekitarnya, saya akan mendatangi perusahaan, sedang untuk perusahaan yang berada di luar Surabaya interview akan dilakukan melalui telepon. Interview akan memakan waktu kurang lebih 1 jam. Seluruh informasi yang diberikan akan terjaga kerahasiaannya dan saya telah mengikuti prosedur ketat etika yang dikeluarkan oleh Faculty of Commerce and Administration's Human Ethics Committee, Victoria University of Wellington (No. referensi 2007-020).

Sebagai pertimbangan, bersama ini pula saya lampirkan interview script. Pada akhir studi, saya pun dengan senang hati akan memberikan laporan ringkasan hasil studi dalam bentuk elektronik. Jika Bapak/ibu bersedia mohon membalas surat ini. Saya akan menghubungi Bapak/Ibu dan mengatur waktu yang sesuai dengan kesediaan Bapak/Ibu.

Terimakasih banyak atas waktu yang diberikan dan pertolongannya hingga membuat studi ini dapat terlaksana.

Janti Gunawan

PhD student, Department of International Business

Victoria University of Wellington, email: janti.gunawan@vuw.ac.nz or

Saya dapat dihubungi di:

Sepuluh Nopember Institut of Technology, Surabaya – Indonesia

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SURAT PERNYATAAN KESEDIAAN
BELAJAR DARI NETWORK UNTUK MASUK DAN BERSAING DI PASAR
INTERNASIONAL: STUDI PERUSAHAAN INDONESIA

Lembar ini menunjukkan hak saya sebagai partisipan dalam studi ‘Belajar dari network untuk masuk dan bersaing di pasar internasional: Studi Perusahaan Indonesia’ yang dilakukan oleh Janti Gunawan, siswa PhD di bidang International Business, Victoria University of Wellington, New Zealand.

Wawancara ini akan mengeksplorasi pengetahuan saya tentang bagaimana perusahaan saya berkembang dan menggunakan pengetahuan dari network untuk masuk dan bersaing di pasar internasional.

Wawancara ini akan memakan waktu kurang lebih satu jam dan saya menyadari bahwa:

- Partisipasi saya dalam studi ini sepenuhnya sukarela. Saya setuju untuk di interview sesuai tujuan studi.
- Tujuan interview telah dijelaskan kepada saya, dan saya telah membaca surat pengantar yang disediakan oleh periset.
- Saya setuju agar interview ini direkam.
- Segala pertanyaan yang saya lontarkan sehubungan dengan studi ini telah dijawab dengan memuaskan.
- Saya memiliki hak untuk menolak menjawab pertanyaan yang diberikan
- Saya memiliki hak untuk menarik kembali pernyataan kesediaan saya, tanpa adanya penalti.

Silahkan pilih satu: (lingkari pilihan yang sesuai)

- Saya mengerti bahwa Janti Gunawan akan melakukan publikasi ilmiah suatu waktu dan saya memberi ijin agar nama saya ataupun nama perusahaan untuk digunakan. I
- Saya tidak ingin nama saya atau nama perusahaan digunakan atau dipublikasikan.

Nama responden yang diwawancarai:

.....

Tanda tangan responden:

Tanggal

Saya telah menjelaskan tentang riset dan implikasinya kepada responden dan saya percaya bahwa surat pernyataan ini sudah mencakup semua hal tersebut dan responden mengerti maksud dari partisipasinya.

Nama pewawancara: Janti Gunawan

Tanda tangan pewawancara:

Tanggal.....

VICTORIA UNIVERSITY OF WELLINGTON
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PROTOKOL WAWANCARA

A. Gambaran umum tentang responden:

- jabatan
- lama bekerja di perusahaan
- pengalaman di bidang international business.

B. Gambaran umum tentang perusahaan:

- produk utama
- jenis kepemilikan (murni milik pribumi, non pribumi², joint venture)
- tahun berdiri
- sejarah berdirinya perusahaan
- jumlah karyawan.

C. Tingkat internasional perusahaan

- jumlah negara yang dimasuki
- daftar negara yang dimasuki
- pilihan cara memasuki pasar internasional (melalui kontrak, agen, distributor, dsb).
- tahun masuk ke pasar internasional
- rasio penjualan pasar internasional terhadap total penjualan.

² Identifikasi non pribumi (Cina-Indonesia) digunakan semata-mata untuk mengetahui karakteristik alami jaringan usaha, mempertimbangkan bahwa jaringan usaha pengusaha pribumi mungkin berbeda dengan pengusaha Cina. Pertanyaan ini disusun dengan mempertimbangkan masukan dari komisi riset the School of Marketing and International Business.

D. Kemampuan perusahaan: Seberapa jauh perusahaan

- memiliki pengetahuan di bidang perjanjian internasional
- memiliki pengetahuan di bidang hukum/norma/standard internasional
- memiliki percaya diri dalam memasuki pasar internasional
- memiliki pengetahuan di bidang operasional pasar internasional
- mampu melihat peluang bisnis internasional
- melakukan penetrasi pasar internasional yang baru
- mampu mengidentifikasi pembeli asing
- melakukan adaptasi produk terhadap kebutuhan pasar asing
- membidik segemen pasar berbeda di pasar asing
- mengelola hubungan dengan partner asing
- melacak kebutuhan konsumen dan kecenderungannya
- mengembangkan produk baru untuk pasar asing
- mengembangkan kemampuan manufaktur/proses
- mengidentifikasi teknologi baru.

E. Network perusahaan

E1. Dibandingkan dengan kondisi perusahaan, tolong indikasikan tingkat internasionalisasi customer dan supplier perusahaan (lebih rendah, sama, lebih tinggi atau tidak tahu), dalam hal:

- lama beroperasi di pasar internasional
- keragaman Negara yang dimasuki
- keragaman jenis konsumennya
- keragaman produknya.

E2. Network apa saja yang diikuti oleh perusahaan:

- sehubungan dengan pasar: asosiasi dagang, KADIN, atau yang lainnya
- sehubungan dengan operasional: asosiasi profesi, kolaborasi riset, dsb.
- network lain: community development groups, cultural groups, university associations, Profec?
- apakah network ini local, nasional, regional atau internasional?
- berapa banyak dari network ini yang merupakan pemain pasar internasional?

- seberapa jauh network ini berfungsi dalam pengembangan pasar, operasional, teknologi perusahaan?

F. Proses Belajar

- Seberapa jauh pembeli atau supplier mempengaruhi kemampuan perusahaan dalam hal yang berkaitan dengan pasar, institusi, operasional? Mengapa dan bagaimana hal ini bisa terjadi?
- Seberapa jauh hubungan social mempengaruhi kemampuan perusahaan dalam hal yang berkaitan dengan pasar, insitusi dan operasional? Mengapa dan bagaimana hal ini bisa terjadi?

G. Perilaku internasional dan penjelasan dari proses internasionalisasi perusahaan:

- Seberapa jauh perusahaan menggunakan kemampuannya sendiri untuk masuk ke pasar internasional?
- Seberapa jauh pihak lain mempengaruhi perusahaan dalam memasuki pasar internasional?
- Seberapa jauh budaya perusahaan mempengaruhi langkah perusahaan dalam memasuki pasar internasional?
- Budaya apa yang ditekankan di perusahaan?

APPENDIX B SURVEY INSTRUMENTS

Appendix B-1 Survey instruments (English version)

VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wananga o te Upoko o te Ika a Maui

RESEARCH INFORMATION SHEET

LEARNING ABOUT INTERNATIONAL MARKETS: STUDIES OF INDONESIAN FIRMS

Dear Sir/Madam,

My name is Janti Gunawan. I am in the process of completing my PhD thesis at Victoria University of Wellington, New Zealand. My study is entitled 'Learning about international markets: Studies of Indonesian firms'. This study aims to enhance our understanding of how Indonesian firms learn about and maintain their international markets.

I would like to invite you to participate in this research by completing the enclosed anonymous questionnaire. Neither your name nor your company will be identified. All data will be presented only in an aggregate format. Following strict procedures for research involving human subjects at Victoria University of Wellington, this study has been assessed and approved by Faculty of Commerce and Administration's Human Ethics Committee.

The completion of the questionnaire will take no more than 45 minutes of your time. If you have difficulty in answering the questions, I would appreciate your passing this letter and questionnaire to the person in your company best suited to complete the survey. If you prefer an English version of the questionnaire, please send an email to Janti.gunawan@vuw.ac.nz or Janti_g@ie.its.ac.id, and I will send you the English survey form via courier. When the questionnaire is completed, please return it in the prepaid envelope provided or fax it to 031 5939362. I would appreciate your returning the completed survey by **30th April 2008**.

Thank you very much for your time and help in making this study possible. As a gesture of my appreciation for your contribution, I will happily forward a report to you, in electronic form, outlining the study's findings and conclusions. In order to maintain the anonymity of this questionnaire, the request for a research summary can be submitted by sending a blank email to Janti.gunawan@vuw.ac.nz or Janti_g@ie.its.ac.id, with 'Research summary request' as the subject. For additional information about this research, do not hesitate to contact me.

Janti Gunawan

PhD student, School of Marketing and International Business

Victoria University of Wellington, email: janti.gunawan@vuw.ac.nz

I can be contacted at:

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Assoc. Prof. Val Lindsay (Email: Val.Lindsay@vuw.ac.nz)

VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wananga o te Upoko o te Ika a Maui

LEARNING ABOUT INTERNATIONAL MARKETS: STUDIES OF INDONESIAN FIRMS

Internationalisation is a learning process. In the western world, policies and strategies related to internationalisation and exporting have been developed based on the perspective of several decades. However, the internationalisation of Indonesian firms is a relatively new phenomenon. Given the cultural and economic distinctions between western and eastern societies, and developed and developing economies, the behaviours of firms, in terms of interpreting information and using knowledge to support entering international markets, may be different. This research is expected to contribute to our understanding of organisational learning and internationalisation behaviour, and guide policies to assist the international entry of firms from Indonesia and other developing countries.

This research can only succeed with your help. Please answer each question as completely and accurately as possible. Your responses will be anonymous, and will be held in complete confidence.

Section 1: The following questions are designed to learn about you and your company. For each question, please tick the most appropriate response.

1.1. What is your current position in the company? *(Please tick one.)*

☐ Owner/CEO	☐ Marketing Director
☐ Marketing (Export) Manager	☐ Other <i>(Please specify.)</i>

1.2. For how many years have you, personally, been involved in export activities? *(Please tick one.)*

☐ Less than 1 year	☐ 1 to less than 3 years	☐ 3 to less than 5 years
☐ 5 to less than 7 years	☐ 7 to less than 9 years	☐ 9 to less than 11 years
☐ 11 to less than 13 years	☐ 13 to less than 15 years	☐ 15 or more years

1.3 Do you have experience in living, studying or working abroad? *(Please tick one.)*

- Yes ☐ No ☐ *(Please skip to Question 1.4.)*

If yes, for how many years have you worked or lived outside of Indonesia?
(Please tick one.)

- ☐ Less than 1 year ☐ 1 to less than 3 years ☐ 3 to less than 5 years
☐ 5 to less than 7 years ☐ 7 to less than 9 years ☐ 9 to less than 11 years
☐ 11 to less than 13 years ☐ 13 to less than 15 years ☐ 15 or more years

1.4 How many people in your company, including you, are involved in taking decisions regarding exporting and other international transactions? (Please tick one.)

- ☐ 1 (Please skip to Question 1.6.) ☐ 2 ☐ 3
☐ 4 ☐ 5 ☐ 6
☐ 7 ☐ 8 ☐ 9
☐ 10 or more (Please specify.)

1.5. For how many years, on average, have the people on your company's export management team been involved in export activities? (Please tick one.)

- ☐ Less than 1 year ☐ 1 to less than 3 years ☐ 3 to less than 5 years
☐ 5 to less than 7 years ☐ 7 to less than 9 years ☐ 9 to less than 11 years
☐ 11 to less than 13 years ☐ 13 to less than 15 years ☐ 15 or more years

1.6. Please indicate the regions in which members of the export management team have experience in living, studying or working outside Indonesia: (Please tick all that apply.)

- ☐ None
☐ Southeast Asia (Malaysia, Myanmar, Philippines, Thailand, Vietnam)
☐ Confucian Asia (China, Hong Kong, Japan, Singapore, South Korea, Taiwan)
☐ Arabic Countries (Abu Dhabi, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE)
☐ South Asia (Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka)
☐ Anglo Countries (Australia, UK, Canada, Ireland, New Zealand, South Africa, US)
☐ Latin Europe (Belgium, France, Israel, Italy, Portugal and Spain)
☐ Nordic Europe (Denmark, Finland, Norway, Sweden)
☐ Germanic Europe (Austria, Germany, the Netherlands, Switzerland)
☐ Eastern Europe (Albania, Georgia, Hungary, Kazakhstan, Poland, Romania, Russia, Slovenia)
☐ Near East Europe (Iran, Greece, Turkey)
☐ North Africa (Algeria, Egypt, Libya, Morocco)
☐ Central Africa (Burundi, Congo, Rwanda)
☐ East Africa (Djibouti, Eritrea, Ethiopia, Kenya, Sudan, Somalia, Tanzania, Uganda)
☐ Southern Africa (Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia, Zimbabwe)
☐ West Africa (Cameroon, Gabon, Ghana, Liberia, Mali, Nigeria, Senegal, Togo)
☐ Other (Please specify.)

Section 2: The following questions are designed to learn more about your company.

2.1. Which is the most appropriate description of your company? *(Please tick one.)*

- ☐ Export manufacturer of food products and beverages
- ☐ Export manufacturer of wood and forestry products
- ☐ Export manufacturer of textile and apparel
- ☐ Export manufacturer of electronics and electrical products
- ☐ Other *(Please specify.)*

2.2. What are your company's primary sales approaches? *(Please tick all that apply.)*

- ☐ B2C: Business to Customer (Our company sells products directly to customers.)
- ☐ B2B (components): Business to Business (Our company produces product components.)
- ☐ B2B (finished products): Business to Business (Our company manufactures finished products and sells them through distributors.)
- ☐ Other *(Please specify.)*

2.3. In what year was your company established?

2.4. Has your company undertaken strategic alliances with other firms? *(Please tick one.)*

- ☐ Yes, with foreign firms *(Please go to Question 2.5.)*
- ☐ Yes, with Indonesian firms *(Please go to Question 2.5.)*
- ☐ No *(Please skip to question 2.6.)*

2.5 For firms with which your company has undertaken strategic alliances, please list the partners' home countries, the type of alliance and the year in which the strategic alliance was established and the status of the alliances.

Home country of partner firm(s)	Type of alliance	Year established	Currently ongoing relationship?
	☐ International joint venture ☐ International marketing co-operative program ☐ International R&D ☐ Other (Please specify.)		☐ Yes ☐ No
	☐ International joint venture ☐ International marketing co-operative program ☐ International R&D ☐ Other (Please specify.)		☐ Yes ☐ No
	☐ International joint venture ☐ International marketing co-operative program ☐ International R&D ☐ Other (Please specify.)		☐ Yes ☐ No
	☐ International joint venture ☐ International marketing co-operative program ☐ International R&D ☐ Other (Please specify.)		☐ Yes ☐ No

2.6. How would you describe the structure of your company? If your company is an international joint venture, please indicate the structure of the Indonesian component. *(Please tick all that apply.)*

- ☐ An Indonesian independent private company *(Please skip to Question 2.8.)*
- ☐ An Indonesian publicly listed company
- ☐ An Indonesian state-owned company
- ☐ A strategic business unit of an Indonesian-owned company
- ☐ Other *(Please specify.)*

2.7. Please indicate the extent to which your company and your partner/parent company each controls decisions regarding internationalisation. (Circle the most appropriate numbers.)

	Not at all		Some			A great deal	
My company controls the internationalisation decisions.	1	2	3	4	5	6	7
Our partner/parent company/government/shareholders control the internationalisation decisions.	1	2	3	4	5	6	7

2.8. Which of the following best describes your company's organisational structure? (Please tick one.)

- ☐ Functional structure, which groups people on the basis of their common skills and expertise or the resources they use.
- ☐ Divisional structure, which groups people based on product, market or geographic coverage.
- ☐ Matrix structure, which combines the functional and divisional structures.
- ☐ Other (Please specify.).....

2.9. How many people are presently employed by your company – including the entire business unit (i.e., people on the shop floor (production area), in the office (non-production area), and in sales)? (Please count two (2) part-time employees as one (1) full-time employee.)

Indonesia-based employees:people

Foreign-based employees:people

2.10. Is your company a family business?

- ☐ Yes (Please go to Question 2.11.)
- ☐ No (Please skip to Section 3.)

2.11. How would you describe the ethnicity or ethnicities of your firm's main family owners? (Please tick as many boxes as apply.)

☐ Javanese	☐ Indonesian - Arab
☐ Sundanese	☐ Indonesian – Chinese
☐ Batak	☐ Indonesian – Malay
☐ Madurese	☐ Indonesian – Indian
☐ Bugis/Makassar	☐ Indonesian – Dutch
☐ Other indigenous Indonesian race (Please specify.)	☐ Other foreign ethnicity

Section 3: The following questions are designed to learn about your company's exporting activities.

3.1. In what year did your company make its first export sale?

In Questions 3.2 and 3.3, I am interested in understanding about your company's sales and branding mix, with respect to domestic and international sales.

3.2. Approximately what proportion of your company's sales is derived from its foreign activities (i.e., what was the approximate percentage of foreign sales to total sales in 2007)?%

3.3. Please indicate which of the following branding policies apply to your company (*Please tick as many boxes as apply.*)

- ☐ We manufacture and export our own brand(s).
- ☐ We manufacture and export foreign brand(s).
- ☐ We manufacture foreign brand(s) to be exported by foreign subsidiaries in Indonesia. (*Please skip to Question 3.4.*)
- ☐ We manufacture foreign brand(s) to be sold in the Indonesian domestic market by foreign subsidiaries in Indonesia. (*Please skip to Question 3.4.*)

If your company manufactures and exports its own brand(s) and and/or the brand(s) of other companies, approximately what proportion of your company's total exports consisted of its OWN brand(s) in 2007?%

3.4. We are interested in understanding more about the extent of your company's international operations. In the table below, please provide the following information for each country to which your firm has exported:

- a) The year in which your company started exporting to that country
- b) The order of entry for your company (e.g., the first country your company exported to is '1', the second is '2', etc.). If the company started exporting to several markets at the same time, please use the same number for these countries.
- c) The year in which your company stopped exporting to the country (if applicable)
- d) The approximate proportion of your company's total sales derived from this country in 2007.

Region / Cluster	Country	(a) First year of exporting to this country	(b) Order of entry*	(c) Year exporting stopped (if applicable)	(d) Proportion of total sales from this country to total company sales in 2007 (%)
Asia - South East Cluster	☐ Malaysia				
	☐ Myanmar				
	☐ Philippines				
	☐ Thailand				
	☐ Vietnam				
Asia - Confucian	☐ China				
	☐ Hong Kong				
	☐ Japan				
	☐ Singapore				
	☐ South Korea				
	☐ Taiwan				
Arab Countries	☐ Abu Dhabi				
	☐ Bahrain				
	☐ Kuwait				
	☐ Oman				
	☐ Qatar				
	☐ Saudi Arabia				
	☐ UAE				
Asia - South	☐ Bangladesh				
	☐ Bhutan				
	☐ India				
	☐ Nepal				
	☐ Pakistan				
	☐ Sri Lanka				
Anglo Countries	☐ Australia				
	☐ England				
	☐ Canada				
	☐ Ireland				
	☐ New Zealand				
	☐ South Africa				
	☐ USA				
Europe - Latin	☐ Belgium				
	☐ France				
	☐ Israel				
	☐ Italy				
	☐ Portugal				
	☐ Spain				
Europe - Nordic	☐ Denmark				
	☐ Finland				
	☐ Norway				
	☐ Sweden				

Region / Cluster	Country	(a) First year of exporting to this country	(b) Order of entry*	(c) Year exporting stopped (if applicable)	(d) Proportion of total sales from this country to total company sales in 2007 (%)
Europe - Germanic	☐ Austria				
	☐ Germany				
	☐ The Netherlands				
	☐ Switzerland				
Europe - Eastern	☐ Albania				
	☐ Georgia				
	☐ Hungary				
	☐ Kazakhstan				
	☐ Poland				
	☐ Romania				
	☐ Russia				
	☐ Slovenia				
Europe - Near East	☐ Iran				
	☐ Greece				
	☐ Turkey				
Africa	☐ North (Algeria, Egypt, Libya, Morocco)				
	☐ Central Africa (Burundi, Congo, Rwanda)				
	☐ East Africa (Djibouti, Eritrea, Ethiopia, Kenya, Sudan, Somalia, Tanzania, Uganda)				
	☐ Southern Africa (Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia, Zimbabwe)				
	☐ West Africa (Cameroon, Gabon, Ghana, Liberia, Mali, Nigeria, Senegal, Togo)				
Other countries (Please specify)					

Section 4: The following questions are designed to learn about your company's internationalisation processes.

4.1. In the course of its international operations, to what extent has your company gained new knowledge or new skills with respect to the following aspects? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.2. How many years of experience, following international entry, were needed for your company to gain knowledge as indicated in Question 4.1.? *(Please tick one box for each aspect.)*

Adapting products to existing foreign markets	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years
Adapting products to new foreign markets	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years
Targeting multiple market segments in a foreign country	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years
Developing new product designs for specific foreign markets	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years

Improving manufacturing processes	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years
Penetrating new foreign markets	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years
Identifying foreign buyers	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years
Identifying foreign suppliers	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years
Managing foreign partners	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years
Managing international operations	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years
Developing business strategy	☐ Less than 1 year ☐ 5 to less than 7 yrs ☐ 11 to less than 13 yrs ☐ Did not happen	☐ 1 to less than 3 yrs ☐ 7 to less than 9 yrs ☐ 13 to less than 15 yrs	☐ 3 to less than 5 yrs ☐ 9 to less than 11 yrs ☐ 15 or more years

4.3. Which of the following is the best description of your company's MAIN CUSTOMER, which is the customer that contributes the most to your company's sales? (Please tick the most appropriate box.)

- ☐ A foreign company
- ☐ A foreign multinational corporation's subsidiary in Indonesia
- ☐ A subsidiary of an Indonesian multinational corporation
- ☐ An Indonesian privately-owned company
- ☐ An Indonesian state-owned company
- ☐ Other (Please specify.)

4.4. Is this MAIN CUSTOMER a sister company to your firm?

- ☐ Yes ☐ No

4.5. To what extent does this MAIN CUSTOMER inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.6 Which of the following is the best description of your company's MAIN SUPPLIER, which is the supplier that contributes the most to your company's main products? *(Please tick the most appropriate box.)*

- ☐ A foreign company
- ☐ A foreign multinational corporation's subsidiary in Indonesia
- ☐ A subsidiary of an Indonesian multinational corporation
- ☐ An Indonesian privately-owned company
- ☐ An Indonesian state-owned company
- ☐ Other (Please specify.)

4.7. Is this MAIN SUPPLIER a sister company to your firm?

- ☐ Yes ☐ No

4.8. To what extent does this MAIN SUPPLIER inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.9. To what extent do your company's DOMESTIC COMPETITORS inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.10. To what extent do your company's FOREIGN COMPETITORS inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
	1	2	3	4	5	6	7
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.11. To what extent do FOREIGN MULTINATIONALS OPERATING IN INDONESIA, even if they are not your company's competitors or operating in the same industry, inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
	1	2	3	4	5	6	7
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.12. To what extent do UNIVERSITIES OR RESEARCH INSTITUTES inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
	1	2	3	4	5	6	7
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.13. To what extent do GOVERNMENT AND PUBLIC INSTITUTES inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
	1	2	3	4	5	6	7
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.14. To what extent does ATTENDING BUSINESS CONFERENCES OR SEMINARS inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.15. To what extent does ATTENDING LOCAL EXHIBITIONS AND SHOWROOMS inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.16. To what extent does ATTENDING INTERNATIONAL EXHIBITIONS AND SHOWROOMS inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.17. To what extent do PUBLISHED STANDARDS inspire and/or contribute to your company's abilities, with respect to accomplishing the following? *(Please circle one number for each aspect.)*

	Not at all		Some			A great deal	
Adapting products to existing foreign markets	1	2	3	4	5	6	7
Adapting products to new foreign markets	1	2	3	4	5	6	7
Targeting multiple market segments in a foreign country	1	2	3	4	5	6	7
Developing new product designs for specific foreign markets	1	2	3	4	5	6	7
Improving manufacturing processes	1	2	3	4	5	6	7
Penetrating new foreign markets	1	2	3	4	5	6	7
Identifying foreign buyers	1	2	3	4	5	6	7
Identifying foreign suppliers	1	2	3	4	5	6	7
Managing foreign partners	1	2	3	4	5	6	7
Managing international operations	1	2	3	4	5	6	7
Developing business strategy	1	2	3	4	5	6	7

4.18. To what extent does your company have the following options available to it (regardless of whether the options have been taken), with respect to the ability to enter international markets? *(Please circle one number for each item.)*

	Not at all		Some			A great deal	
	1	2	3	4	5	6	7
Expanding relationships with existing or previous partner(s) in Indonesia							
Establishing relationships with new agent(s) in Indonesia							
Establishing a contract with a new distributor or agent outside of Indonesia							
Establishing business with new customers in an existing foreign market							
Establishing business with new customers in a new foreign market							
Expanding business with existing and/or previous foreign customers							
Expanding business with existing and/or previous foreign suppliers							
Entering a new foreign market with an existing customer							
Entering a new foreign market with an existing supplier							
Integrating existing markets by making better use of existing buyers and suppliers							

4.19. To what extent has your company obtained export orders in each of the following ways? *(Please circle one number for each item, or tick the box if the question is not applicable.)*

	N/A	Not at all		Some			A great deal	
		1	2	3	4	5	6	7
Through your company's sales force in Indonesia	☐							
Through your company's sales force abroad (e.g., foreign subsidiary or marketing representative)	☐							
Through an OEM partner in Indonesia	☐							
Through an OEM partner abroad	☐							
Through strategic alliance partner(s)	☐							
From previous and/or existing customers	☐							
From previous and/or existing suppliers	☐							
Through an agent in Indonesia	☐							
Through foreign agent(s)	☐							
From the internet	☐							
From trade exhibitions in Indonesia	☐							
From trade exhibitions abroad	☐							
Through licensing	☐							
Unplanned or unsolicited	☐							

4.20. Considering what companies need to do to meet the demands of international markets, to what extent do you agree with each of the following statements? *(Please circle one number for each statement.)*

	Strongly disagree		Neutral			Strongly Agree	
It is clearly known how international orders can be fulfilled within our firm.	1	2	3	4	5	6	7
Customer complaints fall on deaf ears in our firm.	1	2	3	4	5	6	7
Our firm has a clear division of roles and responsibilities.	1	2	3	4	5	6	7
We constantly make attempts to introduce new products or adapt products for our customers.	1	2	3	4	5	6	7
Our firm has difficulty in implementing new products and services for different markets.	1	2	3	4	5	6	7
Employees in our company have a common understanding and attitude regarding our products and services.	1	2	3	4	5	6	7

4.21. How do you rate your company's competitiveness in terms of each of the following? *(Please circle one number for each item.)*

	Far below the competition		Similar to the competitor			Far ahead of the competition	
Technological advancement	1	2	3	4	5	6	7
Unique products	1	2	3	4	5	6	7
Competitive pricing	1	2	3	4	5	6	7
Dynamic sales force	1	2	3	4	5	6	7
Efficient marketing techniques	1	2	3	4	5	6	7
Efficient distribution	1	2	3	4	5	6	7
Ability to manage across borders	1	2	3	4	5	6	7

4.22. How do you rate your MAIN CUSTOMER in terms of each of the following?
(Please circle one number for each item.)

	Very bad		Neutral			Excellent	
Commitment to the relationship	1	2	3	4	5	6	7
Co-operative culture	1	2	3	4	5	6	7
Knowledge of particular markets	1	2	3	4	5	6	7

4.23. How do you rate your MAIN SUPPLIER in terms of each of the following?
(Please circle one number for each item.)

	Very bad		Neutral			Excellent	
Commitment to the relationship	1	2	3	4	5	6	7
Co-operative culture	1	2	3	4	5	6	7
Knowledge of particular markets	1	2	3	4	5	6	7

4.24. If new foreign opportunities arise, to what extent would your company be interested in engaging with each of the following? (Please circle one number for each item.)

	Not at all		Neutral			Very interested	
Your company's MAIN CUSTOMER	1	2	3	4	5	6	7
Your company's MAIN SUPPLIER	1	2	3	4	5	6	7

4.25. To what extent does your company follow its DOMESTIC COMPETITORS' lead when making decisions about the following? (Please circle one number for each item.)

	Not at all		Some			A great deal	
Export markets and countries	1	2	3	4	5	6	7
Modes of entry	1	2	3	4	5	6	7
Timing for entering foreign markets	1	2	3	4	5	6	7

4.26. To what extent does your company follow its FOREIGN COMPETITORS' lead when making decisions about the following? (Please circle one number for each item.)

	Not at all		Some			A great deal	
Export markets and countries	1	2	3	4	5	6	7
Modes of entry	1	2	3	4	5	6	7
Timing for entering foreign markets	1	2	3	4	5	6	7

4.27. To what extent does your company follow the lead of FOREIGN MULTINATIONAL CORPORATIONS IN INDONESIA when making decisions about the following? *(Please circle one number for each item.)*

	Not at all		Some			A great deal	
Export markets and countries	1	2	3	4	5	6	7
Modes of entry	1	2	3	4	5	6	7
Timing for entering foreign markets	1	2	3	4	5	6	7

4.28. Is your company a strategic business unit of a larger corporation?

☐ Yes

☐ No *(Please go to Question 5.1.)*

If YES, to what extent does your company follow SISTER COMPANIES' lead when making decisions about the following? *(Please circle one number for each item.)*

	Not at all		Some			A great deal	
Export markets and countries	1	2	3	4	5	6	7
Modes of entry	1	2	3	4	5	6	7
Timing for entering foreign markets	1	2	3	4	5	6	7

Section 5. The following questions are designed to learn about your company's organisational culture.

5.1. To what extent does each of the following statements apply to your company? *(Please circle one number for each item.)*

	Not at all		Some			A great deal	
Our company emphasises continuous learning and improvement.	1	2	3	4	5	6	7
Our company commits to improving the skills and capabilities of its employees.	1	2	3	4	5	6	7
Our company creates an atmosphere of participation-oriented organisation and management.	1	2	3	4	5	6	7
Our company enhances co-ordination and communication between functions and departments.	1	2	3	4	5	6	7

Thank you very much for making this study possible. If you have any additional comments or inputs, please write them here:

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Regards,
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DUE DATE: 30th April 2008

I would like to offer you a summary of this research, after it has been completed. In order to maintain the anonymity of this questionnaire, if you are interested in receiving a research summary, please send a blank email to me at Janti_g@ie.its.ac.id, with 'Research summary request' as the subject. I will send you the executive summary, when the data are processed. Once again, thank you for participating in this study.

Appendix B-2 Survey instruments (Bahasa version)

VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wananga o te Upoko o te Ika a Maui

LEMBAR INFORMASI RISET

BELAJAR TENTANG PASAR INTERNASIONAL: STUDI PERUSAHAAN INDONESIA

Yang terhormat,
Bapak/Ibu Pimpinan Perusahaan

Dengan hormat,

Nama saya Janti Gunawan, saya sedang dalam proses menyelesaikan studi doktorat di Victoria University of Wellington, New Zealand. Studi saya berjudul 'Belajar tentang pasar internasional: Studi perusahaan Indonesia'. Studi ini bertujuan untuk meningkatkan pemahaman kita tentang bagaimana perusahaan Indonesia belajar tentang dan menjaga pasar internasionalnya.

Saya bermaksud mengundang Bapak/Ibu untuk berpartisipasi dalam riset ini dengan melengkapi kuesioner tanpa identitas terlampir. Baik nama maupun perusahaan Bapak/Ibu tidak akan dapat teridentifikasi. Seluruh data akan dipresentasikan dalam bentuk agregat mengikuti prosedur ketat studi yang melibatkan manusia di Victoria University of Wellington. Studi ini telah diperiksa dan disetujui oleh Komite Etika, Fakultas Ekonomi dan Administrasi.

Penyelesaian kuesioner ini membutuhkan waktu tidak lebih dari 45 menit. Jika anda mengalami kesulitan dalam menjawab pertanyaan yang ada, saya sangat menghargai bila Bapak/Ibu berkenan meneruskan kuesioner ini kepada personil di perusahaan yang lebih cocok untuk menjawab pertanyaan survey ini. Jika anda menghendaki versi bahasa Inggris dari kuesioner ini, mohon kirimkan email ke: Janti.gunawan@vuw.ac.nz or Janti_g@ie.its.ac.id, dan saya akan mengirimkan kuesioner berbahasa Inggris melalui media yang diinginkan. Mohon kembalikan kuesioner yang telah terisi dalam amplop terlampir atau kirim melalui fax ke 031 535 6362. Saya menghargai apabila Bapak/Ibu berkenan mengirimkan kuesioner yang telah selesai terisi sebelum tanggal **30 April 2008**.

Terimakasih banyak atas waktu dan bantuan Bapak/Ibu dalam merealisasikan studi ini. Sebagai ungkapan terimakasih atas bantuan yang diberikan, saya akan dengan senang hati mengirimkan rangkuman penelitian dalam bentuk elektronik, menjelaskan temuan studi dan kesimpulannya. Untuk menjaga kerahasiaan kuesioner, permohonan rangkuman studi dalam disampaikan dengan mengirimkan email kosong ke Janti.gunawan@vuw.ac.nz atau Janti_g@ie.its.ac.id, dengan subyek 'Permohonan rangkuman studi'. Untuk informasi lebih lanjut tentang riset ini, jangan ragu untuk menghubungi saya.

Janti Gunawan
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VICTORIA UNIVERSITY OF WELLINGTON
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BELAJAR TENTANG PASAR INTERNASIONAL: STUDI PERUSAHAAN INDONESIA

Internasionalisasi adalah suatu proses belajar. Di negara-negara barat, kebijakan berkaitan dengan internasionalisasi dan dukungan ekspor dikembangkan berdasarkan pandangan ini selama beberapa abad. Namun, internasionalisasi perusahaan Indonesia adalah suatu hal yang baru. Proses belajar perusahaan Indonesia tentang pasar ekspor, dalam hal menterjemahkan informasi dan menggunakan pengetahuannya untuk masuk ke pasar internasional mungkin saja berbeda karena kondisi budaya dan ekonomi yang berbeda antara negara timur dan barat. Studi ini dimaksudkan untuk menambah pengetahuan kita tentang perilaku belajar perusahaan Indonesia dan proses internasionalisasinya, serta memberikan acuan kebijakan untuk membantu perusahaan-perusahaan Indonesia dan negara berkembang lain dalam memasuki pasar internasional.

Studi ini hanya dapat berhasil dengan bantuan Bapak/Ibu. Mohon jawab setiap pertanyaan dengan selengkap dan akurat mungkin. Jawaban pertanyaan ini akan tanpa nama dan setiap respon akan dijaga kerahasiaannya.

Bagian 1: Pertanyaan berikut dirancang untuk mengetahui diri dan perusahaan anda. Untuk setiap pertanyaan, mohon pilih satu jawaban yang paling tepat.

1.1. Apakah posisi anda di perusahaan saat ini? (*Beri tanda ✓ untuk satu pilihan yang paling sesuai*).

☐ Pemilik/CEO	☐ Direktur Marketing
☐ Manajer Pemasaran (Ekspor)	☐ Lainnya (<i>Mohon tuliskan</i>).....

1.2. Telah berapa lama anda terlibat dalam kegiatan ekspor? (*Beri tanda ✓ untuk satu pilihan yang paling sesuai*).

☐ Kurang dari 1 tahun	☐ 1 hingga kurang dari 3 tahun
☐ 3 hingga kurang dari 5 tahun	☐ 5 hingga kurang dari 7 tahun
☐ 7 hingga kurang dari 9 tahun	☐ 9 hingga kurang dari 11 tahun
☐ 11 hingga kurang dari 13 tahun	☐ 13 hingga kurang dari 15 tahun
☐ 15 tahun atau lebih	

1.3 Apakah anda memiliki pengalaman tinggal, belajar atau bekerja di luar Indonesia? *(Berikan tanda ✓ untuk satu pilihan yang paling sesuai).*

- ☐ Ya ☐ Tidak *(Lanjutkan ke pertanyaan 1.4).*

Jika ya, berapa tahun lama anda tinggal, bekerja atau belajar di luar Indonesia? *(Berikan tanda ✓ untuk satu pilihan yang paling sesuai).*

☐ Kurang dari 1 tahun	☐ 1 hingga kurang dari 3 tahun
☐ 3 hingga kurang dari 5 tahun	☐ 5 hingga kurang dari 7 tahun
☐ 7 hingga kurang dari 9 tahun	☐ 9 hingga kurang dari 11 tahun
☐ 11 hingga kurang dari 13 tahun	☐ 13 hingga kurang dari 15 tahun
☐ 15 tahun atau lebih	

1.4 Berapa orang, termasuk anda, yang terlibat dalam pengambilan keputusan ekspor dan transaksi internasional lainnya di perusahaan ini? *(Berikan tanda ✓ untuk satu pilihan yang paling sesuai).*

☐ 1 <i>(Lanjutkan ke pertanyaan 1.6).</i>	☐ 2	☐ 3
☐ 4	☐ 5	☐ 6
☐ 7	☐ 8	☐ 9
☐ 10 atau lebih <i>(Mohon jelaskan.)</i>		

1.5. Selama berapa tahun, rata-rata, pengalaman di bidang ekspor dari orang-orang dalam tim manajemen ekspor ini? *(Berikan tanda ✓ untuk satu pilihan yang paling sesuai).*

☐ Kurang dari 1 tahun	☐ 1 hingga kurang dari 3 tahun
☐ 3 hingga kurang dari 5 tahun	☐ 5 hingga kurang dari 7 tahun
☐ 7 hingga kurang dari 9 tahun	☐ 9 hingga kurang dari 11 tahun
☐ 11 hingga kurang dari 13 tahun	☐ 13 hingga kurang dari 15 tahun
☐ 15 tahun atau lebih	

1.6. Tolong tunjukkan di wilayah mana saja personil tim manajemen ekspor pernah tinggal, studi atau bekerja di luar Indonesia: *(Berikan tanda ✓ untuk pilihan-pilihan yang paling sesuai).*

- ☐ Tidak ada
- ☐ Asia tenggara (Malaysia, Myanmar, Philippines, Thailand, Vietnam)
- ☐ Asia Konfusian (China, Hong Kong, Jepang, Singapura, Korea Selatan, Taiwan)
- ☐ Negara-negara Arab (Abu Dhabi, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, Uni Emirat Arab)
- ☐ Asia Selatan (Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka)
- ☐ Negara Anglo (Australia, Inggris, Kanada, Irlandia, Selandia Baru, Afrika Selatan, Amerika Serikat)
- ☐ Eropa Latin (Belgia, Perancis, Israel, Itali, Portugal and Spanyol)

- ☐ Eropa Nordic (Denmark, Finlandia, Norwegia, Swedia)
- ☐ Eropa Jerman (Austria, Jerman, Belanda, Switzerland)
- ☐ Eropa Timur (Albania, Georgia, Hungaria, Kazakhstan, Polandia, Romania, Russia, Slovenia)
- ☐ Eropa Timur Dekat (Iran, Yunani, Turki)
- ☐ Afrika Utara (Algeria, Mesir, Libia, Morocco)
- ☐ Afrika Tengah (Burundi, Congo, Rwanda)
- ☐ Afrika Timur (Djibouti, Eritrea, Ethiopia, Kenya, Sudan, Somalia, Tanzania, Uganda)
- ☐ Afrika Selatan (Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia, Zimbabwe)
- ☐ Afrika Barat (Cameroon, Gabon, Ghana, Liberia, Mali, Nigeria, Senegal, Togo)
- ☐ Lainnya (*Mohon tuliskan*)

Bagian 2: Pertanyaan berikut dirancang untuk mengetahui lebih jauh tentang perusahaan anda

2.1. Pilihan manakah yang paling tepat menggambarkan perusahaan anda? (*Beri tanda ✓ untuk satu pilihan yang paling sesuai*).

- ☐ Perusahaan pembuat produk makanan dan minuman untuk diekspor
- ☐ Perusahaan pembuat produk dari kayu dan hasil hutan untuk diekspor
- ☐ Perusahaan pembuat produk tekstil, garmen dan aparel untuk diekspor
- ☐ Perusahaan pembuat produk listrik dan elektronika untuk diekspor
- ☐ Perusahaan pembuat produk berbahan dasar logam, termasuk peralatan dari logam untuk diekspor
- ☐ Lainnya (*Mohon tuliskan*)

2.2. Model pendekatan penjualan apakah yang terbanyak dilakukan oleh perusahaan? (*Beri tanda ✓ untuk pilihan-pilihan yang sesuai*).

- ☐ B2C: Business to Customer (perusahaan kami menjual produk langsung ke konsumen).
- ☐ B2B (komponen): Business to Business (perusahaan kami membuat produk setengah jadi/komponen untuk diolah oleh perusahaan lain).
- ☐ B2B (produk jadi): Business to Business (perusahaan kami membuat produk jadi dan menjualnya melalui distributor).

2.3. Tahun berapa perusahaan ini berdiri?

2.4. Apakah perusahaan anda melakukan aliansi strategis dengan perusahaan lain? (*Beri tanda ✓ untuk satu pilihan yang paling sesuai*).

- ☐ Ya, dengan perusahaan asing (*Lanjutkan ke pertanyaan Q 2.5*)
- ☐ Ya, dengan perusahaan Indonesia (*Lanjutkan ke pertanyaan Q 2.5*)
- ☐ Tidak (*Lanjutkan ke pertanyaan Q 2.6*).

2.5 Jika perusahaan anda melakukan aliansi strategis, mohon tuliskan negara asal perusahaan mitra, jenis kerjasama aliansi dan tahun dimana kerjasama aliansi strategis dilakukan dan status dari aliansi ini.

Negara asal perusahaan mitra	Jenis kerjasama aliansi	Tahun	Masih berlangsung?
	☐ International joint venture ☐ International marketing co-operative program (Program kerjasama pemasaran) ☐ International R&D (riset dan pengembangan internasional) ☐ Lainnya (Mohon jelaskan)		☐ Ya ☐ Tidak
	☐ International joint venture ☐ International marketing co-operative program (Program kerjasama pemasaran) ☐ International R&D (riset dan pengembangan internasional) ☐ Lainnya (Mohon jelaskan)		☐ Ya ☐ Tidak
	☐ International joint venture ☐ International marketing co-operative program (Program kerjasama pemasaran) ☐ International R&D (riset dan pengembangan internasional) ☐ Lainnya (Mohon jelaskan)		☐ Ya ☐ Tidak
	☐ International joint venture ☐ International marketing co-operative program (Program kerjasama pemasaran) ☐ International R&D (riset dan pengembangan internasional) ☐ Lainnya (Mohon jelaskan)		☐ Ya ☐ Tidak

2.6. Bagaimana anda menggambarkan struktur kepemilikan dari perusahaan anda? (Beri tanda ✓ untuk pilihan-pilihan yang sesuai).

- ☐ Sebuah perusahaan swasta kepemilikan tunggal di Indonesia (Lanjutkan ke pertanyaan Q 2.8)
- ☐ Sebuah perusahaan Indonesia terbuka (tercatat di bursa saham)
- ☐ Sebuah perusahaan milik Negara Indonesia (BUMN)
- ☐ Sebuah unit usaha strategis/anak perusahaan dari induk perusahaan Indonesia
- ☐ Sebuah unit usaha strategis/anak perusahaan dari perusahaan asing
- ☐ Lainnya (Mohon jelaskan)

2.7. Mohon tunjukkan seberapa jauh perusahaan anda dan perusahaan mitra atau induk usaha mengendalikan keputusan yang berkaitan dengan transaksi internasional. (Lingkari angka yang paling tepat).

	Tidak sama sekali		Sedikit			Sangat besar	
	1	2	3	4	5	6	7
Perusahaan saya mengendalikan keputusan transaksi internasional	1	2	3	4	5	6	7
Mitra / induk usaha mengendalikan keputusan transaksi internasional	1	2	3	4	5	6	7

2.8 Manakah dari berikut ini yang paling menggambarkan struktur organisasi perusahaan anda? (Beri tanda ✓ untuk satu pilihan yang sesuai).

- ☐ Struktur fungsional, yaitu mengelompokkan orang berdasarkan kesamaan ketrampilan dan keahlian atau sumber daya yang digunakan
- ☐ Struktur divisional, yaitu mengelompokkan orang berdasarkan produk, pasar atau cakupan geografis
- ☐ Struktur matriks, yaitu struktur yang mengkombinasikan struktur fungsional dan divisional
- ☐ Lainnya (Mohon jelaskan.)

2.9. Berapa banyak pekerja penuh yang saat ini bekerja di perusahaan anda, yang meliputi seluruh unit usaha bisnis ini (yaitu meliputi personal di lantai produksi, kantor (non produksi) dan penjualan)? (Mohon hitung 2 orang yang bekerja paruh waktu sebagai 1 orang pekerja penuh).

Pekerja di Indonesia =orang
Pekerja di luar Indonesia =orang

2.10. . Apakah perusahaan ini tergolong perusahaan keluarga? (Beri tanda ✓ untuk satu pilihan yang sesuai).

- ☐ Ya (Lanjutkan ke pertanyaan Q 2.11) ☐ Tidak (Lanjutkan ke bagian 3).

2.11. Mohon tunjukkan suku dari pemilik utama perusahaan ini. (Beri tanda ✓ untuk pilihan-pilihan yang sesuai).

☐ Jawa	☐ Indonesia – Arab
☐ Sunda	☐ Indonesia – Cina
☐ Batak	☐ Indonesia – Melayu
☐ Madura	☐ Indonesia – India
☐ Bugis/Makassar	☐ Indonesia – Belanda
☐ Suku asli Indonesia lainnya (Mohon sebutkan)	☐ Suku asing lainnya (Mohon sebutkan)

Bagian 3: Pertanyaan berikut ini ditujukan untuk mengenal aktivitas ekspor perusahaan anda.

3.1. Pada tahun berapa perusahaan ini melakukan ekspor perdananya?.....

Untuk pertanyaan 3.2 dan 3.3, saya tertarik untuk memahami tentang proporsi bauran penjualan dan merk dagang perusahaan sehubungan dengan penjualan di dalam dan luar Indonesia

3.2. Sekitar berapakah proporsi penjualan perusahaan yang dihasilkan dari kegiatan di luar negeri (sebagai contoh, sekitar berapa persenkah penjualan luar negeri terhadap seluruh penjualan perusahaan di tahun 2007) ?%

3.3. Mohon tunjukan kebijakan merk manakah yang dianut oleh perusahaan (*Beri tanda ✓ untuk pilihan-pilihan yang sesuai*).

- ☐ Kami membuat dan mengekspor produk dengan merk kami sendiri.
- ☐ Kami membuat dan mengekspor produk dengan merk asing.
- ☐ Kami membuat produk dengan merk asing untuk kemudian diekspor oleh subsidiari / anak perusahaan asing tersebut yang ada di Indonesia. (*Lanjutkan ke pertanyaan 3.4.*)
- ☐ Kami membuat produk dengan merk asing untuk dijual di pasar domestik (Indonesia) oleh subsidiari / anak perusahaan asing yang berada di Indonesia (*Lanjutkan ke pertanyaan 3.4.*).
- ☐ Lainnya (*Mohon tuliskan*)

Jika perusahaan anda membuat dan mengekspor produk dengan merk sendiri dan juga merk orang lain, sekitar berapakah dari penjualan EKSPOR ini terdiri dari merk SENDIRI di tahun 2007?%

3.4. Saya tertarik untuk mengerti lebih jauh tentang kegiatan operasional perusahaan. Dalam tabel berikut, mohon tuliskan informasi dari tiap Negara tujuan ekspor perusahaan:

- a) Tahun dimana perusahaan mulai melakukan ekspor ke Negara ini
- b) Urutan masuk yang dilakukan oleh perusahaan (sebagai contoh, negara pertama yang dimasuki oleh perusahaan dituliskan angka '1', kemudian negara berikutnya '2', dan seterusnya). Jika perusahaan melakukan ekspor ke beberapa negara pada saat yang bersamaan, gunakan angka yang SAMA pada negara-negara ini.
- c) Tahun dimana perusahaan berhenti mengekspor ke Negara tersebut (jika terjadi)
- d) Perkiraan proporsi penjualan dari negara ini terhadap TOTAL penjualan perusahaan di tahun 2007.

Wilayah/ke lompok negara	Negara (Beri tanda ✓ untuk pilihan- pilihan yang sesuai)	(a) Tahun pertama kali mengekspor ke Negara ini	(b) Urutan masuk	(c) Tahun ekspor ke Negara ini berhenti (jika terjadi)	(d) Proporsi penjualan dari Negara ini terhadap total penjualan perusahaan di tahun 2007 (%)
Asia – Tenggara	☐ Malaysia				
	☐ Myanmar				
	☐ Philippines				
	☐ Thailand				
	☐ Vietnam				

Wilayah/ke lompok negara	Negara (Beri tanda ✓ untuk pilihan- pilihan yang sesuai)	(a) Tahun pertama kali mengekspor ke Negara ini	(b) Urutan masuk	(c) Tahun ekspor ke Negara ini berhenti (jika terjadi)	(d) Proporsi penjualan dari Negara ini terhadap total penjualan perusahaan di tahun 2007 (%)
Asia - Konfusian	☐ China				
	☐ Hong Kong				
	☐ Jepang				
	☐ Singapura				
	☐ Korea Selatan				
	☐ Taiwan				
Negara- negara Arab	☐ Abu Dhabi				
	☐ Bahrain				
	☐ Kuwait				
	☐ Oman				
	☐ Qatar				
	☐ Saudi Arabia				
	☐ Uni Emirat Arab				
Asia – Selatan	☐ Bangladesh				
	☐ Bhutan				
	☐ India				
	☐ Nepal				
	☐ Pakistan				
	☐ Sri Lanka				
Negara Anglo	☐ Australia				
	☐ Inggris				
	☐ Kanada				
	☐ Irlandia				
	☐ Selandia Baru				
	☐ Afrika Selatan				
	☐ Amerika Serikat				
Europa - Latin	☐ Belgia				
	☐ Perancis				
	☐ Israel				
	☐ Itali				
	☐ Portugal				
	☐ Spanyol				
Europa - Nordic	☐ Denmark				
	☐ Finlandia				
	☐ Norwegia				
	☐ Swedia				
Europa - Jerman	☐ Austria				
	☐ Jerman				
	☐ Belanda				
	☐ Switzerland				

Wilayah/ke lompok negara	Negara (Beri tanda ✓ untuk pilihan- pilihan yang sesuai)	(a) Tahun pertama kali mengekspor ke Negara ini	(b) Urutan masuk	(c) Tahun ekspor ke Negara ini berhenti (jika terjadi)	(d) Proporsi penjualan dari Negara ini terhadap total penjualan perusahaan di tahun 2007 (%)
Europa - Timur	☐ Albania				
	☐ Georgia				
	☐ Hungaria				
	☐ Kazakhstan				
	☐ Polandia				
	☐ Romania				
	☐ Russia				
	☐ Slovenia				
Europa – Timur Dekat	☐ Iran				
	☐ Yunani				
	☐ Turki				
Afrika	☐ Afrika Utara (Algeria, Mesir, Libia, Morocco)				
	☐ Afrika Tengah (Burundi ,Congo, Rwanda)				
	☐ Afrika Timur (Djibouti, Eritrea, Ethiopia, Kenya, Sudan, Somalia Tanzania, Uganda)				
	☐ Afrika Selatan (Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia, Zimbabwe)				
	☐ Afrika Barat (Cameroon, Gabon, Ghana, Liberia, Mali, Nigeria, Senegal, Togo)				
Negara lain(Mohon tuliskan)					

Bagian 4: Pertanyaan berikut dirancang untuk mengenal proses internasionalisasi perusahaan.

4.1. Sehubungan dengan kegiatan beroperasi di pasar internasional, seberapa jauh perusahaan anda telah memperoleh pengetahuan atau ketrampilan baru di aspek-aspek berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit			Sangat besar	
	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.2. Berapa tahunkah pengalaman yang dibutuhkan oleh perusahaan, terhitung sejak masuk pasar internasional, untuk memperoleh pengetahuan seperti yang dituliskan dalam pertanyaan 4.1? *(Beri tanda ✓ untuk satu pilihan yang sesuai pada setiap aspek).*

Mengadaptasi produk untuk pasar asing (luar negeri) yang saat ini dimasuki oleh perusahaan	☐ Kurang dari 1 tahun	☐ 1 hingga < 3 tahun	☐ 3 hingga < 5 tahun
	☐ 5 hingga < 7 tahun	☐ 7 hingga < 9 tahun	☐ 9 hingga < 11 tahun
	☐ 11 hingga < 13 tahun	☐ 13 hingga < 15 tahun	☐ 15 tahun atau lebih
	☐ Tidak terjadi		
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	☐ Kurang dari 1 tahun	☐ 1 hingga < 3 tahun	☐ 3 hingga < 5 tahun
	☐ 5 hingga < 7 tahun	☐ 7 hingga < 9 tahun	☐ 9 hingga < 11 tahun
	☐ 11 hingga < 13 tahun	☐ 13 hingga < 15 tahun	☐ 15 tahun atau lebih
	☐ Tidak terjadi		
Mentarget berbagai segmen pasar di luar negeri	☐ Kurang dari 1 tahun	☐ 1 hingga < 3 tahun	☐ 3 hingga < 5 tahun
	☐ 5 hingga < 7 tahun	☐ 7 hingga < 9 tahun	☐ 9 hingga < 11 tahun
	☐ 11 hingga < 13 tahun	☐ 13 hingga < 15 tahun	☐ 15 tahun atau lebih
	☐ Tidak terjadi		

Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	☐ Kurang dari 1 tahun ☐ 5 hingga < 7 tahun ☐ 11 hingga < 13 tahun ☐ Tidak terjadi	☐ 1 hingga < 3 tahun ☐ 7 hingga < 9 tahun ☐ 13 hingga < 15 tahun	☐ 3 hingga < 5 tahun ☐ 9 hingga < 11 tahun ☐ 15 tahun atau lebih
Mengembangkan proses manufaktur	☐ Kurang dari 1 tahun ☐ 5 hingga < 7 tahun ☐ 11 hingga < 13 tahun ☐ Tidak terjadi	☐ 1 hingga < 3 tahun ☐ 7 hingga < 9 tahun ☐ 13 hingga < 15 tahun	☐ 3 hingga < 5 tahun ☐ 9 hingga < 11 tahun ☐ 15 tahun atau lebih
Menembus (penetrasi) pasar asing (luar negeri)	☐ Kurang dari 1 tahun ☐ 5 hingga < 7 tahun ☐ 11 hingga < 13 tahun ☐ Tidak terjadi	☐ 1 hingga < 3 tahun ☐ 7 hingga < 9 tahun ☐ 13 hingga < 15 tahun	☐ 3 hingga < 5 tahun ☐ 9 hingga < 11 tahun ☐ 15 tahun atau lebih
Mengidentifikasi pembeli luar negeri	☐ Kurang dari 1 tahun ☐ 5 hingga < 7 tahun ☐ 11 hingga < 13 tahun ☐ Tidak terjadi	☐ 1 hingga < 3 tahun ☐ 7 hingga < 9 tahun ☐ 13 hingga < 15 tahun	☐ 3 hingga < 5 tahun ☐ 9 hingga < 11 tahun ☐ 15 tahun atau lebih
Mengidentifikasi pemasok luar negeri	☐ Kurang dari 1 tahun ☐ 5 hingga < 7 tahun ☐ 11 hingga < 13 tahun ☐ Tidak terjadi	☐ 1 hingga < 3 tahun ☐ 7 hingga < 9 tahun ☐ 13 hingga < 15 tahun	☐ 3 hingga < 5 tahun ☐ 9 hingga < 11 tahun ☐ 15 tahun atau lebih
Mengelola mitra asing	☐ Kurang dari 1 tahun ☐ 5 hingga < 7 tahun ☐ 11 hingga < 13 tahun ☐ Tidak terjadi	☐ 1 hingga < 3 tahun ☐ 7 hingga < 9 tahun ☐ 13 hingga < 15 tahun	☐ 3 hingga < 5 tahun ☐ 9 hingga < 11 tahun ☐ 15 tahun atau lebih
Mengelola kegiatan operasional berskala internasional	☐ Kurang dari 1 tahun ☐ 5 hingga < 7 tahun ☐ 11 hingga < 13 tahun ☐ Tidak terjadi	☐ 1 hingga < 3 tahun ☐ 7 hingga < 9 tahun ☐ 13 hingga < 15 tahun	☐ 3 hingga < 5 tahun ☐ 9 hingga < 11 tahun ☐ 15 tahun atau lebih
Mengembangkan strategi bisnis	☐ Kurang dari 1 tahun ☐ 5 hingga < 7 tahun ☐ 11 hingga < 13 tahun ☐ Tidak terjadi	☐ 1 hingga < 3 tahun ☐ 7 hingga < 9 tahun ☐ 13 hingga < 15 tahun	☐ 3 hingga < 5 tahun ☐ 9 hingga < 11 tahun ☐ 15 tahun atau lebih

4.3. Pilihan manakah dari pernyataan dibawah yang paling tepat menggambarkan PELANGGAN UTAMA perusahaan ini (pelanggan yang berkontribusi paling besar terhadap total penjualan perusahaan) ? (Beri tanda ✓ untuk pilihan yang paling sesuai).

- ☐ Sebuah perusahaan asing
- ☐ Sebuah anak perusahaan multinasional asing yang berada di Indonesia
- ☐ Sebuah anak perusahaan multinasional Indonesia
- ☐ Sebuah perusahaan swasta Indonesia
- ☐ Sebuah perusahaan Negara Indonesia (BUMN)
- ☐ Lainnya (Mohon jelaskan)

4.4. Apakah PELANGGAN UTAMA ini merupakan anak perusahaan lain dari perusahaan anda?

☐ Ya ☐ Tidak

4.5. Seberapa jauh PELANGGAN UTAMA ini memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit		Sangat besar		
	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar Indonesia)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.6. Pilihan manakah dari pernyataan dibawah yang paling tepat menggambarkan PEMASOK UTAMA perusahaan ini (pemasok yang berkontribusi paling besar terhadap produk utama perusahaan)? *(Berikan tanda ✓ untuk pilihan yang paling sesuai).*

- ☐ Sebuah perusahaan asing
- ☐ Sebuah anak perusahaan multinasional asing yang berada di Indonesia
- ☐ Sebuah anak perusahaan multinasional Indonesia
- ☐ Sebuah perusahaan swasta Indonesia
- ☐ Sebuah perusahaan Negara (BUMN) Indonesia
- ☐ Lainnya *(Mohon jelaskan)*

4.7. Apakah PEMASOK UTAMA ini merupakan anak perusahaan lain dari perusahaan anda?

Ya ☐ Tidak ☐

4.8. Seberapa jauh PEMASOK UTAMA ini memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit			Sangat besar	
	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.9. Seberapa jauh KOMPETITOR/PESAING DOMESTIK perusahaan memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit			Sangat besar	
	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.10. Seberapa jauh KOMPETITOR/PESAING ASING perusahaan memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit			Sangat besar	
	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.11. Seberapa jauh PERUSAHAAN MULTINASIONAL YANG BERADA DI INDONESIA, meskipun mereka bukan kompetitor anda atau beroperasi di industri yang sama, memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit			Sangat besar	
	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.12. Seberapa jauh PERGURUAN TINGGI ATAU PUSAT RISET memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit			Sangat besar		
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7	
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7	
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7	
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7	
Mengembangkan proses manufaktur	1	2	3	4	5	6	7	
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7	
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7	
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7	
Mengelola mitra asing	1	2	3	4	5	6	7	
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7	
Mengembangkan strategi bisnis	1	2	3	4	5	6	7	

4.13. Seberapa jauh PEMERINTAH DAN INSTITUSI PUBLIK memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit			Sangat besar		
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7	
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7	
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7	
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7	
Mengembangkan proses manufaktur	1	2	3	4	5	6	7	
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7	
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7	
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7	
Mengelola mitra asing	1	2	3	4	5	6	7	
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7	
Mengembangkan strategi bisnis	1	2	3	4	5	6	7	

4.14. Seberapa jauh MENGHADIRI KONFERENSI ATAU SEMINAR BISNIS memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit			Sangat besar	
	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.15. Seberapa jauh MENGHADIRI PAMERAN DAN RUANG PAMER DI DALAM NEGERI memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit			Sangat besar	
	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.16. Seberapa jauh MENGHADIRI PAMERAN DAN RUANG PAMER DI LUAR NEGERI memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit		Sangat besar		
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.17. Seberapa jauh STANDAR YANG TERPUBLIKASI memberikan inspirasi dan atau berkontribusi terhadap kemampuan perusahaan untuk mencapai hal-hal berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak sama sekali		Sedikit		Sangat besar		
Mengadaptasi produk untuk pasar asing(luar negeri) yang saat ini dimasuki oleh perusahaan	1	2	3	4	5	6	7
Mengadaptasi produk untuk pasar asing (luar negeri) yang baru	1	2	3	4	5	6	7
Mentarget berbagai segmen pasar di luar negeri	1	2	3	4	5	6	7
Mengembangkan rancangan produk baru untuk pasar asing (luar negeri) tertentu	1	2	3	4	5	6	7
Mengembangkan proses manufaktur	1	2	3	4	5	6	7
Menembus (penetrasi) pasar asing (luar negeri)	1	2	3	4	5	6	7
Mengidentifikasi pembeli luar negeri	1	2	3	4	5	6	7
Mengidentifikasi pemasok luar negeri	1	2	3	4	5	6	7
Mengelola mitra asing	1	2	3	4	5	6	7
Mengelola kegiatan operasional berskala internasional	1	2	3	4	5	6	7
Mengembangkan strategi bisnis	1	2	3	4	5	6	7

4.18. Seberapa jauh perusahaan anda pernah memiliki pilihan berikut (tidak berarti pilihan ini pernah diambil), berkaitan dengan kemampuan perusahaan untuk memasuki pasar internasional? (Mohon lingkari satu jawaban yang paling sesuai).

	Tidak pernah sama sekali		Ada kemungkinan			Selalu tersedia pilihan ini	
	1	2	3	4	5	6	7
Meperluas hubungan kerjasama dengan mitra Indonesia yang pernah atau sedang bekerja sama dengan perusahaan untuk masuk ke pasar internasional							
Membangun hubungan usaha dengan agen-agen baru yang berorientasi ekspor di Indonesia	1	2	3	4	5	6	7
Membuat kontrak dengan distributor atau agen baru diluar Indonesia	1	2	3	4	5	6	7
Membangun usaha dengan pelanggan baru di pasar luar negeri yang saat ini dimasuki	1	2	3	4	5	6	7
Membangun usaha dengan pelanggan baru di pasar luar negeri yang baru	1	2	3	4	5	6	7
Memperluas usaha di luar negeri dengan pelanggan di negeri tersebut yang pernah atau sedang bekerja sama dengan perusahaan	1	2	3	4	5	6	7
Memperluas usaha di luar negeri dengan pemasok di negeri tersebut yang pernah atau sedang bekerja sama dengan perusahaan	1	2	3	4	5	6	7
Memasuki pasar luar negeri yang baru dengan pelanggan yang ada	1	2	3	4	5	6	7
Memasuki pasar luar negeri yang baru dengan pemasok yang ada	1	2	3	4	5	6	7
Mengintegrasikan pasar yang ada dengan memaksimalkan hubungan dengan pembeli dan pemasok yang pernah atau sedang bekerja sama dengan perusahaan	1	2	3	4	5	6	7

4.19. Sejauh manakah perusahaan anda pernah memperoleh permintaan ekspor melalui cara-cara berikut ini (Mohon dilingkari satu angka untuk masing-masing pernyataan yang sesuai, atau beri tanda ✓ pada kotak dimana pertanyaan tidak berlaku).

	Tidak berlaku	Tidak pernah sama sekali		Beberapa kali			Sebagian besar	
		1	2	3	4	5	6	7
Melalui bagian penjualan di Indonesia	☐							
Melalui bagian penjualan di luar negeri (contoh, anak perusahaan di luar negeri atau perwakilan pemasaran)	☐							
Melalui mitra OEM di Indonesia	☐							
Melalui mitra OEM diluar negeri	☐							

	Tidak berlaku	Tidak pernah sama sekali	Beberapa kali			Sebagia n besar	
Melalui mitra aliansi strategis	☐	1 2	3	4	5	6	7
Dari pelanggan yang pernah atau sedang bekerja sama dengan perusahaan	☐	1 2	3	4	5	6	7
Dari pemasok yang pernah atau sedang bekerja sama dengan perusahaan	☐	1 2	3	4	5	6	7
Melalui sebuah agen di Indonesia	☐	1 2	3	4	5	6	7
Melalui agen-agen di luar Indonesia	☐	1 2	3	4	5	6	7
Melalui internet	☐	1 2	3	4	5	6	7
Melalui pameran-pameran dagang di Indonesia	☐	1 2	3	4	5	6	7
Melalui pameran-pameran dagang di luar Indonesia	☐	1 2	3	4	5	6	7
Melalui lisensi dagang	☐	1 2	3	4	5	6	7
Tidak direncanakan atau tidak terduga	☐	1 2	3	4	5	6	7

4.20. Mempertimbangkan hal-hal yang dilakukan oleh perusahaan untuk memenuhi permintaan pasar internasional, sejauh manakah anda setuju dengan pernyataan-pernyataan berikut ini ? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Sangat tidak setuju		Netral		Sangat setuju		
Kami mengetahui dengan sangat baik bagaimana permintaan dari luar negeri dapat dipenuhi	1	2	3	4	5	6	7
Keluhan pelanggan tidak dihiraukan oleh perusahaan	1	2	3	4	5	6	7
Perusahaan kami memiliki kejelasan pembagian tugas dan tanggung jawab.	1	2	3	4	5	6	7
Kami selalu mencoba memperkenalkan produk produk baru atau menyesuaikan produk (adaptasi) untuk memenuhi kebutuhan pelanggan	1	2	3	4	5	6	7
Perusahaan kami mempunyai masalah dalam mengimplementasikan produk dan jasa baru untuk pasar-pasar yang berbeda	1	2	3	4	5	6	7
Karyawan di perusahaan kami memiliki pemahaman dan pemikiran yang sama terhadap produk dan jasa perusahaan	1	2	3	4	5	6	7

4.21. Menurut anda, berapakah nilai daya saing perusahaan dalam masing-masing hal dibawah ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Jauh dibawah pesaing		Sama dengan pesaing			Jauh melebihi pesaing	
Kemajuan Teknologi	1	2	3	4	5	6	7
Keunikan Produk	1	2	3	4	5	6	7
Harga yang bersaing	1	2	3	4	5	6	7
Tenaga penjualan yang dinamis	1	2	3	4	5	6	7
Teknik-teknik pemasaran yang efisien	1	2	3	4	5	6	7
Distribusi yang efisien	1	2	3	4	5	6	7
Kemampuan untuk mengelola aktivitas lintas negara	1	2	3	4	5	6	7

4.22 Bagaimana anda menilai PELANGGAN UTAMA dalam hal-hal berikut ini?

(Mohon lingkari satu jawaban yang paling sesuai).

	Sangat buruk		Netral/Biasa saja			Sangat baik	
	1	2	3	4	5	6	7
Komitmen terhadap hubungan bisnis dengan perusahaan	1	2	3	4	5	6	7
Budaya bekerja sama	1	2	3	4	5	6	7
Pengetahuan akan pasar tertentu	1	2	3	4	5	6	7

4.23. Bagaimana anda menilai PEMASOK UTAMA dalam hal-hal berikut ini?

(Mohon lingkari satu jawaban yang paling sesuai).

	Sangat buruk		Netral/Biasa saja			Sangat baik	
	1	2	3	4	5	6	7
Komitmen terhadap hubungan bisnis dengan perusahaan	1	2	3	4	5	6	7
Budaya bekerja sama	1	2	3	4	5	6	7
Pengetahuan akan pasar tertentu	1	2	3	4	5	6	7

4.24. Jika kesempatan dari luar negeri datang, seberapa jauh perusahaan anda berminat untuk meresponnya dengan mengajak mitra berikut? (Mohon lingkari satu jawaban yang paling sesuai).

	Tidak sama sekali		Netral			Sangat berminat	
	1	2	3	4	5	6	7
PELANGGAN UTAMA perusahaan	1	2	3	4	5	6	7
PEMASOK UTAMA perusahaan	1	2	3	4	5	6	7

4.25. Seberapa jauh perusahaan mengikuti gerakan PESAING DALAM NEGERI ketika membuat keputusan tentang berikut ini? (Mohon lingkari satu jawaban yang paling sesuai).

	Tidak pernah mengikuti mereka sama sekali		Beberapa kali mengikuti mereka			Selalu mengikuti mereka	
	1	2	3	4	5	6	7
Pasar dan Negara tujuan ekspor	1	2	3	4	5	6	7
Cara masuk pasar luar negeri	1	2	3	4	5	6	7
Waktu memasuki pasar ekspor	1	2	3	4	5	6	7

4.26. Seberapa jauh perusahaan mengikuti gerakan PESAING LUAR NEGERI ketika membuat keputusan tentang berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak pernah mengikuti mereka sama sekali		Beberapa kali mengikuti mereka			Selalu mengikuti mereka	
Pasar dan Negara tujuan ekspor	1	2	3	4	5	6	7
Cara masuk pasar luar negeri	1	2	3	4	5	6	7
Waktu memasuki pasar ekspor	1	2	3	4	5	6	7

4.27. Seberapa jauh perusahaan mengikuti gerakan PERUSAHAAN MULTINASIONAL ASING YANG BERADA DI INDONESIA ketika membuat keputusan tentang berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak pernah mengikuti mereka sama sekali		Beberapa kali mengikuti mereka			Selalu mengikuti mereka	
Pasar dan Negara tujuan ekspor	1	2	3	4	5	6	7
Cara masuk pasar luar negeri	1	2	3	4	5	6	7
Waktu memasuki pasar ekspor	1	2	3	4	5	6	7

4.28. Apakah perusahaan ini unit usaha strategis dari perusahaan yang lebih besar (perusahaan anda adalah anak perusahaan)?

☐ Ya ☐ Tidak *(Lanjutkan ke pertanyaan 5.1).*

Jika YA, seberapa jauh perusahaan mengikuti gerakan ANAK PERUSAHAAN LAIN DALAM SATU INDUK PERUSAHAAN ketika membuat keputusan tentang berikut ini? *(Mohon lingkari satu jawaban yang paling sesuai).*

	Tidak pernah mengikuti mereka sama sekali		Beberapa kali mengikuti mereka			Selalu mengikuti mereka	
Pasar dan negara tujuan ekspor	1	2	3	4	5	6	7
Cara masuk pasar luar negeri	1	2	3	4	5	6	7
Waktu memasuki pasar ekspor	1	2	3	4	5	6	7

Bagian 5. Pertanyaan berikut dirancang untuk mengetahui lebih jauh tentang budaya perusahaan.

5.1. Seberapa jauh budaya perusahaan berikut berlaku di perusahaan anda?
(*Mohon lingkari satu jawaban yang paling sesuai*).

	Tidak sama sekali		Sesekali		Dengan dukungan penuh		
	1	2	3	4	5	6	7
Perusahaan ini menekankan proses belajar dan peningkatan kinerja terus menerus							
Perusahaan ini memiliki komitmen untuk meningkatkan keahlian dan kemampuan pegawai-pegawainya	1	2	3	4	5	6	7
Perusahaan ini menciptakan lingkungan yang mendukung partisipasi aktif dalam berorganisasi dan manajemen	1	2	3	4	5	6	7
Perusahaan ini menekankan koordinasi dan komunikasi antar fungsi dan departemen	1	2	3	4	5	6	7

Terimakasih, anda telah membantu dalam merealisasikan studi ini. Jika anda memiliki komentar atau masukan lain, mohon tuliskan disini:

.....

.....

.....

.....

Hormat saya,

Janti Gunawan

Jurusan Teknik Industri ITS, Surabaya – Indonesia

HP: (flexy) 031 71383555, 081 938 468 795

Telp. Kantor: +62 31 5356 363, Facsimile: +62 31 535 6362

Email: janti_g@ie.its.ac.id atau janti.gunawan@vuw.ac.nz

BATAS WAKTU: 30 April 2008

Saya bermaksud menawarkan rangkuman hasil studi ini dalam bentuk elektronik, sesudah semua data terkumpul dan dianalisa. Untuk menjaga kerahasiaan diri anda, jika anda tertarik untuk menerima rangkuman hasil studi, mohon tuliskan email kosong ke alamat email saya Janti_g@ie.its.ac.id, dengan subyek 'Permohonan rangkuman studi'. Saya akan mengirimkan rangkuman hasil studi ketika seluruh data selesai diolah. Sekali lagi, terimakasih atas partisipasi anda dalam studi ini.

APPENDIX C SURVEY FOLLOW-UP LETTER

Appendix C-1 Survey follow-up letter (English version)

VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wananga o te Upoko o te Ika a Maui

LEARNING ABOUT INTERNATIONAL MARKETS: STUDIES OF INDONESIAN FIRMS

Dear Sir/Madam,

My name is Janti Gunawan. I am in the process of completing my PhD thesis at Victoria University of Wellington, New Zealand. My study is focusing on the understanding about how Indonesian firms can enter and maintain their international markets.

You may recall that few weeks ago, I sent you a questionnaire. If you have responded to that questionnaire, please ignore this letter. If you haven't replied, I once again would like to invite you to participate in this research by completing the enclosed anonymous questionnaire. Your help is really needed for me to be able to complete this study. Without people like you, my study will not be able to contribute to the field of academic, practice and policy development in business.

Neither your name nor your company will be identified. All data will be presented only in an aggregate format. Following strict procedures for research involving human subjects at Victoria University of Wellington, this study has been assessed and approved by Faculty of Commerce and Administration's Human Ethics Committee.

The completion of the questionnaire will take no more than 45 minutes of your time. If you have difficulty in answering the questions, I would appreciate your passing this letter and questionnaire to the person in your company best suited to complete the survey. If you prefer an English version of the questionnaire, please send an email to Janti.gunawan@vuw.ac.nz or

Janti_g@ie.its.ac.id, and I will send you the English survey form via courier. I would appreciate your returning the completed survey by **30th May 2008**.

Thank you very much for your time and help in making this study possible. As a gesture of my appreciation for your contribution, I will happily forward a report to you, in electronic form, outlining the study's findings and conclusions. In order to maintain the anonymity of this questionnaire, the request for a research summary can be submitted by sending a blank email to Janti.gunawan@vuw.ac.nz or Janti_g@ie.its.ac.id, with 'Research summary request' as the subject. For additional information about this research, do not hesitate to contact me.

Janti Gunawan

PhD student, School of Marketing and International Business

Victoria University of Wellington, email: janti.gunawan@vuw.ac.nz

Saya dapat dihubungi di: Jurusan Teknik Industri ITS – Surabaya

HP: (flexy) 031 713 83 555, 081 938 468 795

Telepon kantor: 031 535 6363, Facsimile: 031 535 6362

Email: janti_g@ie.its.ac.id

Supervisors:

Dr. Elizabeth L Rose (Email: Elizabeth.Rose@vuw.ac.nz)

Assoc. Prof. Val Lindsay (Email: Val.Lindsay@vuw.ac.nz)

Appendix C-1 Survey follow-up letter (Bahasa version)

VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wananga o te Upoko o te Ika a Maui

BELAJAR TENTANG PASAR INTERNASIONAL: STUDI PERUSAHAAN INDONESIA

Yang terhormat,
Bapak/Ibu Pimpinan Perusahaan

Dengan hormat,

Nama saya Janti Gunawan, saya sedang dalam proses menyelesaikan studi doktorat di Victoria University of Wellington, New Zealand. Studi ini meneliti bagaimana perusahaan Indonesia dapat masuk dan bertahan di pasar Internasional.

Mungkin Bapak/Ibu ingat, beberapa waktu yang lalu saya telah mengirimkan kuesioner melalui kurir/jasa pos. Jika Bapak/Ibu telah menjawab kuesioner tersebut, mohon abaikan email ini. Jika Bapak/ibu belum memberikan balasan, saya ingin meminta lagi, bantuan Bapak/Ibu untuk dapat berpartisipasi dalam riset ini dengan melengkapi kuesioner berikut. Bantuan Bapak/Ibu sangat saya butuhkan untuk menyelesaikan studi ini. Tanpa orang-orang seperti Bapak/Ibu, studi ini tidak mungkin dapat terlaksana dan memberikan kontribusi yang berarti bagi keilmuan, pelaku usaha maupun pengambil kebijakan di bidang bisnis.

Baik nama maupun perusahaan Bapak/Ibu tidak akan dapat teridentifikasi. Seluruh data akan dipresentasikan dalam bentuk agregat mengikuti prosedur ketat studi yang melibatkan manusia di Victoria University of Wellington. Baik metodologi pengumpulan data maupun kuesioner yang akan dibagikan telah diperiksa dan disetujui oleh Komite Etika, Fakultas Ekonomi dan Administrasi.

Penyelesaian kuesioner ini membutuhkan waktu tidak lebih dari 45 menit. Jika anda mengalami kesulitan dalam menjawab pertanyaan yang ada, saya sangat menghargai bila Bapak/Ibu berkenan meneruskan kuesioner ini kepada personil di perusahaan yang lebih cocok untuk menjawab pertanyaan survey ini. Jika anda menghendaki versi bahasa Inggris dari kuesioner ini, mohon kirimkan email ke: Janti.gunawan@vuw.ac.nz or Janti_g@ie.its.ac.id, dan saya akan mengirimkan kuesioner berbahasa Inggris melalui media yang diinginkan. Saya menghargai apabila Bapak/Ibu berkenan mengirimkan kuesioner yang telah selesai terisi sebelum tanggal 30 Mei 2008.

Terimakasih banyak atas waktu dan bantuan Bapak/Ibu dalam merealisasikan studi ini. Sebagai ungkapan terimakasih atas bantuan yang diberikan, saya akan dengan senang hati mengirimkan rangkuman penelitian dalam bentuk elektronik, menjelaskan temuan studi dan kesimpulannya. Untuk menjaga kerahasiaan kuesioner, permohonan rangkuman studi dalam disampaikan dengan mengirimkan email kosong ke Janti.gunawan@vuw.ac.nz atau Janti_g@ie.its.ac.id, dengan subyek 'Permohonan rangkuman studi'. Untuk informasi lebih lanjut tentang riset ini, jangan ragu untuk menghubungi saya.

Janti Gunawan
PhD student, School of Marketing and International Business
Victoria University of Wellington, email: janti.gunawan@vuw.ac.nz

Saya dapat dihubungi di: Jurusan Teknik Industri ITS – Surabaya
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Supervisors:
Dr. Elizabeth L Rose (Email: Elizabeth.Rose@vuw.ac.nz)
Assoc. Prof. Val Lindsay (Email: Val.Lindsay@vuw.ac.nz)

APPENDIX D T-TEST RESULTS FOR TESTING HYPOTHESIS 6A

Appendix D-1 T-test results for absorptive capacity, based on country-related internationalisation

Variable (Independent samples T-test observed significance level)		Fewer countries	More countries
Market AC ** (significance 0.011)	N	56	38
	Mean	4.649	5.344
	Std. Deviation	1.483	1.122
Operational technology AC * (significance 0.057)	N	54	36
	Mean	4.216	4.829
	Std. Deviation	1.451	1.488
Strategic technology AC (significance 0.623)	N	53	33
	Mean	5.038	5.212
	Std. Deviation	1.493	1.746
IB strategy AC (significance 0.172)	N	55	35
	Mean	4.733	5.114
	Std. Deviation	1.370	1.123
Speed of absorbing market knowledge (significance 0.307)	N	52	37
	Mean	2.571	2.951
	Std. Deviation	1.507	1.978
Speed of absorbing operational technology knowledge (significance 0.576)	N	46	32
	Mean	2.982	3.240
	Std. Deviation	1.845	2.192
Speed of absorbing strategic technology knowledge (significance 0.251)	N	48	31
	Mean	2.708	3.258
	Std. Deviation	1.738	2.236
Speed of absorbing IB strategy knowledge (significance 0.327)	N	51	34
	Mean	2.876	3.309
	Std. Deviation	1.649	2.172

* p<0.10, **p<0.05, ***p<0.01

Appendix D-2 T-test results for absorptive capacity, based on sales-related internationalisation

Variable (Independent samples T-test observed significance level)		Low export sales ratio	High export sales ratio
Market AC *** (significance 0.005)	N	38	54
	Mean	4.520	5.309
	Std. Deviation	1.239	1.327
Operational technology AC ** (significance 0.040)	N	37	51
	Mean	4.135	4.768
	Std. Deviation	1.332	1.501
Strategic technology AC (significance 0.345)	N	36	49
	Mean	4.889	5.224
	Std. Deviation	1.635	1.571
International business strategy AC * (significance 0.067)	N	37	51
	Mean	4.649	5.124
	Std. Deviation	1.093	1.304
Speed of absorbing market knowledge* (significance 0.052)	N	35	51
	Mean	2.326	3.064
	Std. Deviation	0.9664	2.064
Speed of absorbing operational technology knowledge (significance 0.499)	N	31	46
	Mean	2.909	3.217
	Std. Deviation	1.762	2.213
Speed of absorbing strategic technology knowledge (significance 0.203)	N	32	44
	Mean	2.594	3.160
	Std. Deviation	1.604	2.230
Speed of absorbing international business strategy knowledge (significance 0.523)	N	34	48
	Mean	2.887	3.160
	Std. Deviation	1.825	1.993

* p<0.10, **p<0.05, ***p<0.01

Appendix D-3 T-test results for absorptive capacity, based on length of exporting

Variable (Independent samples T-test observed significance level)		Short experience with exporting	Long experience with exporting
Market AC (significance 0.234)	N	52	44
	Mean	4.787	5.125
	Std. Deviation	1.402	1.356
Operational technology AC (significance 0.641)	N	50	42
	Mean	4.387	4.536
	Std. Deviation	1.474	1.560
Strategic technology AC (significance 0.528)	N	47	41
	Mean	5.149	4.927
	Std. Deviation	1.628	1.649
International business strategy AC (significance 0.737)	N	51	41
	Mean	4.833	4.927
	Std. Deviation	1.313	1.328
Speed of absorbing market knowledge** (significance 0.040)	N	48	42
	Mean	2.392	3.131
	Std. Deviation	1.337	2.001
Speed of absorbing operational technology knowledge (significance 0.217)	N	4	38
	Mean	2.821	3.390
	Std. Deviation	1.722	2.278
Speed of absorbing strategic technology knowledge (significance 0.257)	N	43	36
	Mean	2.674	3.194
	Std. Deviation	1.599	2.303
Speed of absorbing international business strategy knowledge* (significance 0.069)	N	45	41
	Mean	2.700	3.447
	Std. Deviation	1.461	2.253

* p<0.10, **p<0.05, ***p<0.01

APPENDIX E REGRESSION RESULTS FOR TESTING HYPOTHESIS 6B

Appendix E-1 Regression results for market-related absorptive capacity

Appendix E-1a Regression results for market-related AC, for firms with less and more country experience (Standard errors in parentheses)

	Country experience					
	Fewer countries			More countries		
Dependent variable (AC dimension)	Market	Market	Market	Market	Market	Market
Constant	-0.419 (0.989)	-0.359 (1.056)	-0.354 (1.087)	2.195 (1.974)	1.660 (2.251)	1.489 (2.010)
Independent variables:						
- Buyers' contributions	0.512*** (0.117)	0.490*** (0.112)	0.479*** (0.125)	0.610** (0.193)	0.555** (0.210)	0.615** (0.191)
- Suppliers' contributions	-	-	0.044 (0.126)	-0.033 (0.130)	0.112 (0.167)	0.004 (0.138)
- Domestic competitors' contributions	-	0.275* (0.123)	0.259* (0.112)	0.005 (0.159)	0.280* (0.147)	0.300* (0.150)
- Foreign competitors' contributions	0.055 (0.109)	0.000 (0.100)	-	0.279* (0.141)	-	-
- FMNEs in Indonesia's contributions	-0.172 (0.127)	-0.210* (0.121)	-	-0.096 (0.123)	-0.102 (0.119)	-0.145 (0.124)
- Universities' contributions	-	0.040 (0.132)	-0.030 (0.139)	-0.005 (0.119)	-	-
- Governments' contributions	0.121 (0.123)	-	-	-	0.078 (0.148)	0.157 (0.154)
- Conferences' contributions	-	0.064 (0.106)	0.085 (0.107)	-	0.085 (0.181)	-
- Local exhibitions' contributions	-	0.059 (0.124)	-	-	-0.273* (0.124)	-0.254* (0.128)
- Foreign exhibitions' contributions	0.107 (0.103)	-	-	-0.091 (0.140)	-0.070 (0.137)	-0.100 (0.142)
- Published standards' contributions	0.018 (0.103)	-	-	-	-	-0.075 (0.156)
Control variables:						
- Technology	0.273 (0.377)	0.201 (0.366)	0.020 (0.389)	0.375 (0.501)	0.019 (0.583)	-0.232 (0.575)
- Employee (natural log)	0.025 (0.109)	0.092 (0.104)	0.106 (0.115)	-0.029 (0.123)	-0.091 (0.124)	-0.030 (0.129)
- Structure – functional	0.326 (0.346)	0.284 (0.383)	0.179 (0.373)	-0.009 (0.403)	-0.158 (0.469)	-0.193 (0.424)
- Learning culture	0.177 (0.181)	0.121 (0.155)	0.215 (0.176)	-0.090 (0.285)	0.144 (0.288)	0.229 (0.282)
- Competitiveness	0.158 (0.174)	0.067 (0.178)	-0.045 (0.176)	-	-	-
Model significance (F-test)	0.000	0.000	0.000	0.047	0.052	0.059
R^2	0.771	0.787	0.738	0.672	0.726	0.696
R^2_{adj}	0.684	0.702	0.656	0.414	0.452	0.416
N	40	42	42	25	24	25
Highest VIF score	2.405	2.997	2.775	2.877	2.996	2.579

“-” variable omitted due to high collinearity and *p<0.10, **p<0.05, ***p<0.01

Appendix E-1b Regression results for market-related AC, for firms with lower and higher international sales ratio (Standard errors in parentheses)

	Sales ratio					
	Lower foreign sales ratio			Higher foreign sales ratio		
Dependent variable (AC dimension)	Market	Market	Market	Market	Market	Market
Constant	0.556 (1.436)	1.736 (1.181)	2.200 (1.056)	-1.115 (1.168)	0.496 (1.158)	-1.531 (1.036)
Independent variables:						
- Buyers' contributions	-	0.569*** (0.147)	0.804*** (0.154)	0.627*** (0.122)	0.532*** (0.128)	0.565*** (0.127)
- Suppliers' contributions	0.141 (0.166)	-	-	-0.020 (0.102)	0.058 (0.096)	-
- Domestic competitors' contributions	0.315* (0.128)	0.209* (0.111)	-	-	0.208* (0.115)	0.204 (0.121)
- Foreign competitors' contributions	0.248 (0.154)	-	-	0.155 (0.096)	-	-
- FMNEs in Indonesia's contributions	-0.300* (0.165)	-0.049 (0.124)	-0.046 (0.128)	-0.133 (0.101)	-0.142 (0.100)	-0.155 (0.106)
- Universities' contributions	-0.020 (0.222)	0.034 (0.177)	-0.016 (0.166)	-	-	0.048 (0.109)
- Governments' contributions	0.021 (0.208)	-0.014 (0.196)	-	0.044 (0.116)	0.005 (0.117)	-
- Conferences' contributions	-	-	0.052 (0.110)	-	-	0.072 (0.126)
- Local exhibitions' contributions	0.037 (0.176)	-0.006 (0.132)	0.083 (0.125)	-0.123 (0.099)	-0.149 (0.094)	-
- Foreign exhibitions' contributions	-0.027 (0.135)	-	-0.194 (0.130)	0.242* (0.106)	0.277 (0.105)	0.195* (0.102)
- Published standards' contributions	-	0.026 (0.160)	-	-0.079 (0.096)	-0.067 (0.087)	-0.127 (0.108)
Control variables:						
- Technology	0.650 (0.457)	0.231 (0.394)	0.262 (0.394)	0.359 (0.476)	0.592 (0.481)	0.765 (0.473)
- Employee (natural log)	-	0.005 (0.134)	0.042 (0.116)	-0.029 (0.106)	-0.030 (0.106)	0.028 (0.160)
- Structure – functional	0.055 (0.473)	-	-	0.364 (0.317)	0.308 (0.331)	0.546* (0.313)
- Learning culture	0.357 (0.266)	-0.098 (0.232)	-0.166 (0.218)	0.214 (0.171)	0.265 (0.156)	0.313* (0.160)
- Competitiveness	-0.034 (0.304)	-0.008 (0.209)	-0.024 (0.213)	0.169 (0.181)	-	-
Model significance (F-test)	0.022	0.001	0.001	0.000	0.000	0.000
R^2	0.673	0.765	0.743	0.798	0.789	0.763
R^2_{adj}	0.442	0.621	0.608	0.689	0.687	0.663
N	29	29	29	37	37	37
Highest VIF score	2.585	2.566	2.928	2.419	2.699	2.958

“-” variable omitted due to high collinearity and *p<0.10, **p<0.05, ***p<0.01

Appendix E-1c Regression results for market-related AC, for firms with shorter and longer experience with exporting (Standard errors in parentheses)

	Length of exporting					
	Shorter exporting experience			Longer exporting experience		
Dependent variable (AC dimension)	Market	Market	Market	Market	Market	Market
Constant	-0.217 (1.166)	0.111 (1.201)	-0.347 (0.878)	2.828 (1.402)	2.298 (1.335)	2.962 (1.614)
Independent variables:						
- Buyers' contributions	0.306* (0.151)	0.309* (0.131)	0.406*** (0.119)	0.954*** (0.114)	0.846*** (0.124)	0.787*** (0.139)
- Suppliers' contributions	-0.055 (0.139)	-	-	-0.124 (0.103)	-	-0.004 (0.120)
- Domestic competitors' contributions	0.170 (0.120)	0.131 (0.140)	0.158 (0.126)	-	0.099 (0.096)	0.129 (0.113)
- Foreign competitors' contributions	-	0.092 (0.121)	-	-	-0.045 (0.085)	-0.001 (0.107)
- FMNEs in Indonesia's contributions	-	-	-0.226* (0.124)	0.076 (0.077)	-	-
- Universities' contributions	-0.132 (0.147)	-0.169 (0.136)	-	0.009 (0.106)	-	0.010 (0.114)
- Governments' contributions	0.081 (0.202)	0.026 (0.155)	-	-	-0.041 (0.090)	-
- Conferences' contributions	-0.052 (0.161)	-	-	0.230* (0.088)	0.213* (0.093)	-
- Local exhibitions' contributions	-	-0.035 (0.123)	-	-0.131 (0.094)	-	-
- Foreign exhibitions' contributions	-	-	0.0347 (0.123)	-0.088 (0.084)	-0.111 (0.082)	-
- Published standards' contributions	-	-	-0.064 (0.109)	-	-	0.012 (0.098)
Control variables:						
- Technology	0.391 (0.486)	0.278 (0.419)	0.584 (0.351)	-0.044 (0.374)	0.014 (0.370)	-0.174 (0.401)
- Employee (natural log)	0.053 (0.156)	0.019 (0.154)	-0.061 (0.126)	-0.022 (0.078)	-0.012 (0.080)	-0.033 (0.091)
- Structure – functional	-0.172 (0.452)	-0.353 (0.521)	0.361 (0.411)	0.079 (0.300)	0.171 (0.309)	-0.091 (0.322)
- Learning culture	0.408* (0.197)	0.354* (0.176)	0.305* (0.155)	-0.284 (0.245)	-0.326 (0.230)	-0.389 (0.265)
- Competitiveness	0.134 (0.218)	0.153 (0.202)	0.287 (0.193)	-0.105 (0.165)	0.003 (0.144)	0.018 (0.174)
Model significance (F-test)	0.002	0.000	0.000	0.000	0.000	0.000
R^2	0.660	0.677	0.786	0.875	0.852	0.820
R^2_{adj}	0.504	0.540	0.693	0.796	0.774	0.726
N	35	37	33	31	32	32
Highest VIF score	2.439	2.220	2.997	2.634	2.801	2.965

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Appendix E-2 Regression results for operational technology-related absorptive capacity

Appendix E-2a Regression results for operational technology-related AC, for firms with less and more country experience (Standard errors in parentheses)

	Country experience					
	Fewer countries			More countries		
Dependent variable (AC dimension)	Opr tech	Opr tech	Opr tech	Opr tech	Opr tech	Opr tech
Constant	0.624 (1.120)	0.913 (1.012)	1.417 (1.260)	1.811 (3.667)	0.071 (3.662)	1.967 (3.559)
Independent variables:						
- Buyers' contributions	0.433** (0.129)	0.519*** (0.130)	- (0.147)	0.394 (0.291)	- (0.265)	0.339 (0.317)
- Suppliers' contributions	-	-	0.298* (0.147)	-	-0.144 (0.265)	-
- Domestic competitors' contributions	-	0.147 (0.141)	-	0.268 (0.264)	0.436 (0.307)	0.358 (0.292)
- Foreign competitors' contributions	0.187* (0.109)	-	-	-	0.094 (0.242)	-
- FMNEs in Indonesia's contributions	-0.001 (0.122)	-	-	-0.146 (0.218)	-	-
- Universities' contributions	-	-0.029 (0.141)	-0.373** (0.148)	-	0.134 (0.232)	-0.016 (0.240)
- Governments' contributions	0.022 (0.118)	-	-	0.011 (0.253)	-	-
- Conferences' contributions	-	-	-0.033 (0.153)	-	-	-0.128 (0.287)
- Local exhibitions' contributions	0.021 (0.126)	-	-	-	-	-0.160 (0.231)
- Foreign exhibitions' contributions	-	-	0.410** (0.146)	0.114 (0.307)	0.420 (0.313)	0.267 (0.315)
- Published standards' contributions	-	-0.027 (0.122)	-	-	-0.226 (0.275)	-
Control variables:						
- Technology	0.187 (0.386)	0.136 (0.376)	0.303 (0.448)	0.849 (0.851)	1.064 (0.906)	0.502 (1.028)
- Employee (natural log)	0.100 (0.116)	0.094 (0.110)	0.007 (0.135)	-0.104 (0.223)	-0.013 (0.227)	-0.079 (0.228)
- Structure – functional	-0.382 (0.352)	-0.453 (0.388)	-0.701 (0.412)	0.305 (0.776)	0.059 (0.766)	-0.064 (0.781)
- Learning culture	0.173 (0.162)	0.185 (0.165)	0.115 (0.208)	-0.190 (0.566)	0.199 (0.518)	-0.139 (0.613)
- Competitiveness	-0.050 (0.175)	-0.088 (0.178)	0.228 (0.215)	0.298 (0.499)	0.077 (0.561)	0.215 (0.577)
Model significance (F-test)	0.000	0.000	0.000	0.527	0.708	0.623
R^2	0.699	0.682	0.648	0.402	0.360	0.410
R^2_{adj}	0.605	0.593	0.539	-0.025	-0.143	-0.088
N	42	41	38	24	25	24
Highest VIF score	2.600	2.913	2.896	2.206	2.233	2.666

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Appendix E-2b Regression results for operational technology-related AC, for firms with lower and higher international sales ratio (Standard errors in parentheses)

	Sales ratio					
	Lower foreign sales ratio			Higher foreign sales ratio		
Dependent variable (AC dimension)	Opr tech	Opr tech	Opr tech	Opr tech	Opr tech	Opr tech
Constant	1.943 (1.112)	2.545 (1.266)	1.712 (1.420)	0.220 (1.289)	-0.026 (1.523)	-0.299 (1.608)
Independent variables:						
- Buyers' contributions	0.738*** (0.150)	0.773*** (0.160)	-	-	0.181 (0.176)	0.145 (0.193)
- Suppliers' contributions	-	-	0.424* (0.213)	0.022 (0.129)	-	-
- Domestic competitors' contributions	-0.108 (0.125)	-0.126 (0.145)	-	-	-	0.385* (0.185)
- Foreign competitors' contributions	-	-0.112 (0.130)	-	0.517*** (0.127)	-	-
- FMNEs in Indonesia's contributions	-0.057 (0.127)	-	-	-	0.173 (0.151)	-
- Universities' contributions	0.003 (0.142)	-0.015 (0.192)	-	-0.090 (0.123)	-0.095 (0.165)	-
- Governments' contributions	-	-0.044 (0.202)	-	-	-0.035 (0.187)	-
- Conferences' contributions	0.209 (0.135)	-	-	0.064 (0.141)	-	-
- Local exhibitions' contributions	-	-	-0.071 (0.204)	-0.246* (0.131)	-	-0.064 (0.165)
- Foreign exhibitions' contributions	-0.036 (0.116)	-	0.276* (0.142)	-	0.380* (0.181)	-
- Published standards' contributions	-	0.141 (0.169)	-	-	-	-0.014 (0.152)
Control variables:						
- Technology	0.796* (0.379)	0.468 (0.390)	0.477 (0.540)	0.857 (0.557)	0.950 (0.656)	1.099 (0.698)
- Employee (natural log)	-	-0.011 (0.139)	-	0.051 (0.118)	0.009 (0.151)	0.155 (0.150)
- Structure – functional	0.314 (0.402)	-	0.360 (0.505)	-1.145** (0.392)	-0.265 (0.405)	-0.746 (0.518)
- Learning culture	0.034 (0.204)	0.028 (0.237)	-	0.399* (0.188)	0.174 (0.254)	0.391 (0.239)
- Competitiveness	-0.300 (0.229)	-0.262 (0.236)	-0.302 (0.331)	0.234 (0.200)	0.339 (0.254)	0.072 (0.293)
Model significance (F-test)	0.001	0.002	0.027	0.000	0.014	0.008
R^2	0.751	0.720	0.478	0.659	0.533	0.500
R^2_{adj}	0.619	0.572	0.312	0.537	0.342	0.344
N	29	29	29	38	38	38
Highest VIF score	2.411	2.553	2.913	2.596	2.792	2.732

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Appendix E-2c Regression results for operational technology-related AC, for firms with shorter and longer experience with exporting (Standard errors in parentheses)

	Length of exporting					
	Shorter exporting experience			Longer exporting experience		
Dependent variable (AC dimension)	Opr tech	Opr tech	Opr tech	Opr tech	Opr tech	Opr tech
Constant	-0.502 (1.154)	2.531 (1.139)	0.448 (1.178)	0.329 (2.532)	0.937 (2.534)	-1.198 (2.403)
Independent variables:						
- Buyers' contributions	0.429* (0.166)	-	-	0.428* (0.181)	0.393* (0.192)	-
- Suppliers' contributions	-0.081 (0.156)	0.031 (0.150)	0.093 (0.125)	-	-	0.213 (0.192)
- Domestic competitors' contributions	-0.028 (0.152)	-	-	0.089 (0.179)	0.163 (0.182)	0.318* (0.183)
- Foreign competitors' contributions	-	0.596*** (0.137)	-	-	0.191 (0.155)	-
- FMNEs in Indonesia's contributions	-	-0.312* (0.150)	-	0.194 (0.153)	-	-
- Universities' contributions	-	-	-0.168 (0.131)	-	0.020 (0.184)	-
- Governments' contributions	-0.113 (0.197)	-	-	-0.013 (0.170)	-	-
- Conferences' contributions	0.173 (0.153)	0.420* (0.158)	-	-	-0.218 (0.173)	-
- Local exhibitions' contributions	-	-0.342* (0.146)	-0.091 (0.135)	-0.083 (0.176)	-0.075 (0.182)	-
- Foreign exhibitions' contributions	-	-	0.441** (0.168)	0.145 (0.158)	0.207 (0.170)	-
- Published standards' contributions	-	0.064 (0.143)	-	-	-	-0.074 (0.204)
Control variables:						
- Technology	0.284 (0.436)	0.041 (0.405)	0.254 (0.418)	0.528 (0.680)	0.229 (0.717)	0.605 (0.638)
- Employee (natural log)	0.013 (0.157)	0.065 (0.159)	0.070 (0.418)	0.057 (0.151)	0.013 (0.152)	0.093 (0.154)
- Structure – functional	-0.003 (0.462)	-1.507 (0.486)	-0.260 (0.394)	-0.329 (0.526)	-0.597 (0.581)	-0.667 (0.527)
- Learning culture	0.017 (0.177)	0.113 (0.170)	-	0.466 (0.434)	0.447 (0.451)	0.938** (0.360)
- Competitiveness	0.614* (0.235)	-	0.497* (0.242)	-0.419 (0.266)	-0.386 (0.299)	-0.374 (0.285)
Model significance (F-test)	0.001	0.001	0.000	0.009	0.013	0.011
R^2	0.677	0.702	0.662	0.635	0.647	0.509
R^2_{adj}	0.530	0.566	0.553	0.444	0.436	0.352
N	32	32	33	32	32	33
Highest VIF score	2.540	2.865	2.970	2.397	2.417	2.480

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Appendix E-3 Regression results for strategic technology-related absorptive capacity

Appendix E-3a Regression results for strategic technology-related AC, for firms with less and more country experience (Standard errors in parentheses)

	Country experience					
	Fewer countries			More countries		
Dependent variable (AC dimension)	Strat tech	Strat tech	Strat tech	Strat tech	Strat tech	Strat tech
Constant	-0.032 (1.943)	1.418 (1.614)	0.622 (1.657)	2.085 (1.194)	1.750 (3.778)	2.127 (3.766)
Independent variables:						
- Buyers' contributions	0.091 (0.157)	0.161 (0.149)	-0.002 (0.150)	- (0.282)	0.541* (0.282)	0.525* (0.269)
- Suppliers' contributions	- (0.162)	- (0.162)	0.003 (0.162)	- (0.321)	- (0.321)	0.143 (0.231)
- Domestic competitors' contributions	-0.057 (0.157)	-0.179 (0.148)	-0.230 (0.167)	-0.096 (0.321)	- (0.321)	- (0.321)
- Foreign competitors' contributions	-0.363* (0.157)	- (0.157)	- (0.157)	0.468 (0.316)	- (0.316)	- (0.316)
- FMNEs in Indonesia's contributions	-0.290* (0.155)	- (0.155)	- (0.155)	-0.098 (0.283)	-0.156 (0.195)	-0.176 (0.196)
- Universities' contributions	- (0.268)	0.144 (0.180)	-0.046 (0.175)	0.081 (0.268)	- (0.268)	- (0.268)
- Governments' contributions	0.374* (0.176)	0.236 (0.219)	0.138 (0.199)	- (0.199)	0.118 (0.270)	0.035 (0.260)
- Conferences' contributions	- (0.213)	-0.295 (0.213)	- (0.213)	0.042 (0.381)	- (0.381)	- (0.381)
- Local exhibitions' contributions	0.145 (0.154)	- (0.154)	- (0.154)	- (0.288)	-0.141 (0.288)	-0.232 (0.282)
- Foreign exhibitions' contributions	- (0.156)	0.502** (0.156)	0.412* (0.155)	0.385 (0.354)	- (0.354)	- (0.354)
- Published standards' contributions	-0.239 (0.161)	- (0.161)	- (0.161)	- (0.345)	-0.108 (0.345)	- (0.345)
Control variables:						
- Technology	0.817 (0.627)	0.563 (0.608)	0.349 (0.583)	2.085 (1.194)	0.241 (1.158)	-0.044 (1.170)
- Employee (natural log)	0.273 (0.191)	0.205 (0.178)	0.171 (0.166)	-0.018 (0.276)	0.025 (0.243)	-0.038 (0.238)
- Structure – functional	0.309 (0.612)	0.002 (0.575)	-0.104 (0.544)	0.147 (0.984)	0.007 (0.739)	-0.090 (0.745)
- Learning culture	0.373 (0.251)	- (0.251)	0.032 (0.297)	-0.003 (0.761)	0.295 (0.656)	0.267 (0.649)
- Competitiveness	-0.011 (0.313)	0.066 (0.258)	0.468 (0.322)	-0.519 (0.667)	- (0.667)	- (0.667)
Model significance (F-test)	0.077	0.071	0.055	0.570	0.427	0.396
R^2	0.461	0.418	0.486	0.525	0.431	0.444
R^2_{adj}	0.222	0.210	0.260	-0.056	0.038	0.058
N	39	38	36	20	22	22
Highest VIF score	2.199	2.996	2.909	2.993	2.384	2.189

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Appendix E-3b Regression results of strategic technology-related AC, for firms with lower and higher international sales ratio (Standard errors in parentheses)

	Sales ratio				
	Lower foreign sales ratio		Higher foreign sales ratio		
Dependent variable (AC dimension)	Strat tech	Strat tech	Strat tech	Strat tech	Strat tech
Constant	0.715 (1.564)	2.946 (2.207)	2.175 (1.694)	0.113 (1.784)	0.351 (2.030)
Independent variables:					
- Buyers' contributions	-0.212 (0.183)	- (0.236)	0.362* (0.146)	0.066 (0.156)	-
- Suppliers' contributions	-	0.046 (0.236)	-	-0.017 (0.142)	-
- Domestic competitors' contributions	-0.144 (0.142)	-0.017 (0.197)	-	0.118 (0.183)	-
- Foreign competitors' contributions	0.382* (0.162)	0.537* (0.189)	-	-	0.242 (0.146)
- FMNEs in Indonesia's contributions	-0.150 (0.194)	-0.292 (0.244)	-0.069 (0.125)	-	-
- Universities' contributions	0.555* (0.194)	-	-0.064 (0.124)	-	-
- Governments' contributions	-	0.198 (0.307)	-	-	0.132 (0.160)
- Conferences' contributions	0.214 (0.212)	-	-	-0.024 (0.141)	-
- Local exhibitions' contributions	-0.509* (0.189)	0.000 (0.234)	-	0.093 (0.155)	0.069 (0.160)
- Foreign exhibitions' contributions	0.315 (0.183)	-	0.286* (0.154)	-	-
- Published standards' contributions	-	-0.461 (0.295)	-	-	-0.106 (0.199)
Control variables:					
- Technology	0.751 (0.611)	0.734 (0.810)	0.709 (0.734)	0.867 (0.760)	10.018 (0.836)
- Employee (natural log)	-	0.169 (0.257)	0.033 (0.159)	0.146 (0.156)	0.184 (0.176)
- Structure – functional	1.012 (0.596)	-	-0.101 (0.467)	-0.342 (0.477)	-0.466 (0.548)
- Learning culture	0.368 (0.284)	-	-0.008 (0.266)	0.292 (0.247)	0.269 (0.263)
- Competitiveness	-	0.139 (0.454)	0.072 (0.250)	0.369 (0.269)	0.244 (0.328)
Model significance (F-test)	0.022	0.344	0.035	0.147	0.158
R^2	0.657	0.418	0.448	0.422	0.361
R^2_{adj}	0.435	0.076	0.265	0.170	0.140
N	28	27	36	33	35
Highest VIF score	2.129	2.304	1.845	2.672	2.843

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Appendix E-3c Regression results of strategic technology-related AC, for firms with shorter and longer experience with exporting (Standard errors in parentheses)

	Length of exporting					
	Shorter exporting experience			Longer exporting experience		
Dependent variable (AC dimension)	Strat tech	Strat tech	Strat tech	Strat tech	Strat tech	Strat tech
Constant	-0.808 (1.447)	-0.815 (1.788)	-0.991 (1.648)	1.754 (3.904)	0.607 (3.392)	0.900 (3.236)
Independent variables:						
- Buyers' contributions		-	0.027 (0.175)	0.478* (0.227)	0.308 (0.220)	0.300 (0.222)
- Suppliers' contributions	-	-0.025 (0.166)	-	-	-0.166 (0.195)	-0.176 (0.206)
- Domestic competitors' contributions	-0.054 (0.154)	-	-	0.114 (0.209)	-	-
- Foreign competitors' contributions	0.469** (0.156)	-	-	-	0.305 (0.185)	0.279 (0.191)
- FMNEs in Indonesia's contributions	-0.278* (0.152)	0.004 (0.168)	-0.217 (0.175)	-0.142 (0.210)	-	-
- Universities' contributions	-	-	0.090 (0.184)	0.125 (0.216)	-	-
- Governments' contributions	0.387* (0.209)	-	0.221 (0.236)	-	-	0.028 (0.235)
- Conferences' contributions	-	-0.255 (0.232)	-0.182 (0.229)	-0.002 (0.240)	-	-
- Local exhibitions' contributions	-	-	0.240 (0.191)	-0.172 (0.254)	-0.072 (0.224)	-0.091 (0.221)
- Foreign exhibitions' contributions	-	0.451* (0.202)	-	0.233 (0.241)	0.238 (0.200)	0.215 (0.191)
- Published standards' contributions	-0.373* (0.159)	-	-	-	-0.074 (0.242)	-
Control variables:						
- Technology	0.761 (0.492)	0.524 (0.588)	0.649 (0.596)	0.064 (0.995)	0.427 (0.887)	0.403 (0.892)
- Employee (natural log)	0.344 (0.203)	0.298 (0.243)	0.336 (0.239)	0.001 (0.233)	0.050 (0.193)	0.044 (0.192)
- Structure – functional	-0.480 (0.556)	-0.147 (0.561)	-0.073 (0.588)	-0.144 (0.767)	0.248 (0.664)	0.227 (0.661)
- Learning culture	0.302 (0.205)	0.016 (0.309)	0.372 (0.271)	0.397 (0.563)	0.485 (0.491)	0.508 (0.522)
- Competitiveness	0.500 (0.292)	0.463 (0.313)	0.476 (0.332)	-0.416 (0.430)	-0.308 (0.407)	-0.384 (0.374)
Model significance (F-test)	0.003	0.025	0.052	0.349	0.301	0.308
R^2	0.676	0.598	0.542	0.446	0.428	0.425
R^2_{adj}	0.514	0.387	0.303	0.076	0.096	0.092
N	30	29	32	30	30	30
Highest VIF score	2.543	2.659	2.707	2.315	2.709	2.532

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

**Appendix E-4 Regression results for international business
strategy-related absorptive capacity**

Appendix E-4a Regression results of international business strategy-related AC, for firms with less and more country experience (Standard errors in parentheses)

Dependent variable (AC dimension)	Country experience				
	Fewer countries			More countries	
	IB strategy	IB strategy	IB strategy	IB strategy	IB strategy
Constant	1.853 (0.792)	0.558 (0.968)	0.641 (1.233)	-0.2599 (1.844)	-0.406 (1.929)
Independent variables:					
- Buyers' contributions	0.642*** (0.124)	-	-	-	0.210 (0.184)
- Suppliers' contributions	-	0.090 (0.148)	-	-0.051 (0.146)	-
- Domestic competitors' contributions	-	0.066 (0.143)	0.126 (0.130)	0.277* (0.126)	0.289* (0.121)
- Foreign competitors' contributions	-0.038 (0.112)	-		-	-
- FMNEs in Indonesia's contributions	0.101 (0.117)	-		-0.172 (0.109)	-0.183 (0.117)
- Universities' contributions	-0.038 (0.142)	-	-0.157 (0.173)	-	-0.014 (0.130)
- Governments' contributions	-0.063 (0.119)	-	-	0.176 (0.155)	-
- Conferences' contributions	-	-0.089 (0.138)	-	-	-0.006 (0.181)
- Local exhibitions' contributions	-0.044 (0.122)	-	-	-0.056 (0.133)	-
- Foreign exhibitions' contributions	-	0.227* (0.125)	0.186 (0.139)	0.192 (0.129)	0.112 (0.122)
- Published standards' contributions	-	-	0.029 (0.157)	-0.199 (0.152)	-
Control variables:					
- Technology	0.077 (0.417)	-	-0.149 (0.488)	0.027 (0.529)	0.158 (0.545)
- Employee (natural log)	0.068 (0.115)	-	-0.020 (0.138)	0.172 (0.119)	0.035 (0.137)
- Structure – functional	-	-0.343 (0.404)	-0.424 (0.440)	0.173 (0.378)	-
- Learning culture	-	0.243 (0.195)	0.318 (0.203)	0.911** (0.278)	0.567 (0.322)
- Competitiveness	-	0.392* (0.229)	0.361 (0.229)	-	-0.070 (0.259)
Model significance (F-test)	0.000	0.001	0.004	0.046	0.060
R^2	0.584	0.517	0.518	0.696	0.660
R^2_{adj}	0.486	0.414	0.373	0.438	0.399
N	42	40	39	24	23
Highest VIF score	1.953	2.994	2.940	2.225	2.500

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Appendix E-4b Regression results of international business strategy-related AC, for firms with lower and higher international sales ratio (Standard errors in parentheses)

	Sales ratio					
	Lower foreign sales ratio			Higher foreign sales ratio		
Dependent variable (AC dimension)	IB strategy	IB strategy	IB strategy	IB strategy	IB strategy	IB strategy
Constant	0.594 (0.761)	0.037 (1.583)	1.690 (1.007)	1.227 (1.049)	1.963 (1.167)	2.718 (1.386)
Independent variables:						
- Buyers' contributions	0.671*** (0.129)	-	0.612*** (0.158)	0.333* (0.146)	0.442* (0.168)	0.311* (0.163)
- Suppliers' contributions	-	0.098 (0.206)	-	-	0.095 (0.132)	-
- Domestic competitors' contributions	-0.085 (0.088)	0.116 (0.135)	-0.078 (0.107)	-	-	0.203 (0.144)
- Foreign competitors' contributions	-0.221* (0.095)	0.036 (0.142)	-0.197* (0.109)	0.303* (0.118)	-	-
- FMNEs in Indonesia's contributions	0.101 (0.111)	-0.094 (0.176)	-	0.031 (0.101)	-0.012 (0.104)	-
- Universities' contributions	-0.126 (0.118)	-	-	-0.057 (0.129)	-0.165 (0.138)	-
- Governments' contributions	-	0.195 (0.204)	0.134 (0.135)	-0.030 (0.125)	-0.146 (0.138)	-0.200 (0.145)
- Conferences' contributions	0.207* (0.107)	-	-	-0.068 (0.128)	-	-
- Local exhibitions' contributions	-	-	0.051 (0.110)	-0.225* (0.123)	-0.174 (0.130)	-0.069 (0.150)
- Foreign exhibitions' contributions	0.081 (0.079)	-	-	-	0.237 (0.147)	0.250 (0.177)
- Published standards' contributions	-	-0.059 (0.181)	-	-	-	-0.107 (0.155)
Control variables:						
- Technology	0.566* (0.281)	0.186 (0.476)	0.305 (0.363)	0.020 (0.551)	-0.197 (0.562)	-0.229 (0.641)
- Employee (natural log)	-	-0.058 (0.157)	-0.139 (0.106)	-	-0.028 (0.126)	-0.001 (0.145)
- Structure – functional	0.916 (0.303)	-	-	-0.753* (0.356)	-0.488 (0.367)	-0.675 (0.447)
- Learning culture	0.106 (0.137)	0.373 (0.270)	0.289 (0.185)	0.439* (0.178)	-	-
- Competitiveness	-	0.373 (0.345)	-	-	0.332 (0.213)	0.152 (0.251)
Model significance (F-test)	0.000	0.202	0.002	0.001	0.004	0.035
R^2	0.796	0.479	0.658	0.598	0.594	0.459
R^2_{adj}	0.683	0.172	0.521	0.464	0.423	0.266
N	28	27	28	40	37	38
Highest VIF score	2.756	2.405	2.879	2.227	2.873	2.741

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Appendix E-4c Regression results of international business strategy-related AC, for firms with shorter and longer experience with exporting (Standard errors in parentheses)

	Length of exporting					
	Shorter exporting experience			Longer exporting experience		
Dependent variable (AC dimension)	IB strategy	IB strategy	IB strategy	IB strategy	IB strategy	IB strategy
Constant	0.007 (0.975)	1.118 (1.384)	-0.199 (1.135)	2.549 (1.334)	0.447 (1.886)	0.408 (1.551)
Independent variables:						
- Buyers' contributions	-0.031	-	-	0.773*** (0.156)	0.643*** (0.156)	0.600*** (0.111)
- Suppliers' contributions	-	0.331* (0.166)	0.108 (0.145)	-0.244* (0.125)	-	-
- Domestic competitors' contributions	-	0.241 (0.158)	0.155 (0.132)	0.008 (0.123)	-	-
- Foreign competitors' contributions	0.287* (0.114)	-	-	-	-0.075 (0.111)	-
- FMNEs in Indonesia's contributions	-	-0.333* (0.168)	-	-0.025 (0.103)	-	-
- Universities' contributions	-0.149 (0.145)	-0.157 (0.194)	-0.338* (0.169)	-	-0.063 (0.118)	-0.072 (0.109)
- Governments' contributions	0.181 (0.155)	-	-	0.008 (0.113)	-	-
- Conferences' contributions	-	0.167 (0.196)	-	-	-	-0.061 (0.104)
- Local exhibitions' contributions	-	0.075 (0.196)	-	0.084 (0.118)	0.014 (0.120)	-0.012 (0.108)
- Foreign exhibitions' contributions	0.136 (0.149)	-	-	0.083 (0.112)	0.102 (0.105)	0.110 (0.097)
- Published standards' contributions	-0.091 (0.129)	-	-	-	-0.022 (0.129)	-
Control variables:						
- Technology	-0.351 (0.391)	-0.034 (0.508)	-0.079 (0.460)	0.230 (0.465)	0.166 (0.452)	0.094 (0.428)
- Employee (natural log)	0.394* (0.148)	0.467* (0.174)	0.380* (0.150)	-0.190* (0.103)	-0.127 (0.097)	-0.135 (0.092)
- Structure – functional	-0.667 (0.407)	-0.296 (0.638)	-0.326 (0.456)	-0.040 (0.350)	-0.222 (0.333)	-0.310 (0.334)
- Learning culture	-	-	0.415* (0.161)	-	0.476 (0.281)	0.496* (0.256)
- Competitiveness	0.385* (0.200)	-	-	0.016 (0.226)	-0.106 (0.235)	-0.077 (0.178)
Model significance (F-test)	0.000	0.007	0.001	0.001	0.000	0.000
R^2	0.681	0.607	0.630	0.738	0.754	0.755
R^2_{adj}	0.554	0.438	0.506	0.586	0.619	0.644
N	35	30	32	30	31	32
Highest VIF score	2.527	2.885	2.567	2.608	2.935	2.114

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

APPENDIX F REGRESSION RESULTS FOR TESTING HYPOTHESIS 8

Appendix F-1 Regression results for mimicking of domestic competitors
(Standard errors in parentheses)

	Model 1	Model 2
Dependent variable	Mimicking domestic competitors	Mimicking domestic competitors
Constant	0.878 (1.542)	0.829 (1.549)
Independent variables:		
- Market AC	0.251 (0.238)	0.281 (0.236)
- Operational technology AC	-	0.218 (0.235)
- Strategic technology AC	0.299 (0.245)	-0.309 (0.199)
- International business strategy AC	-0.270 (0.172)	-
Control variables:		
- Technology	-0.031 (0.572)	-0.104 (0.573)
- Employee (natural log)	0.032 (0.143)	0.028 (0.144)
- Structure – functional	0.248 (0.465)	0.294 (0.477)
- Learning culture	-0.020 (0.283)	0.046 (0.277)
- Competitiveness	0.225 (0.265)	0.267 (0.263)
Model significance (F-test)	0.371	0.373
R^2	0.126	0.118
R^2_{adj}	0.020	0.011
N	74	74
Highest VIF score	2.431	2.642

* p<0.10, **p<0.05, ***p<0.01

Appendix F-2 Regression results for mimicking of foreign competitors
(Standard errors in parentheses)

	Model 1	Model 2
Dependent variable	Mimicking foreign competitors	Mimicking foreign competitors
Constant	0.928 (1.500)	0.990 (1.529)
Independent variables:		
- Market AC	0.264 (0.230)	0.326 (0.237)
- Operational technology AC	0.394 (0.228)	-
- Strategic technology AC	-0.256* (0.192)	-0.105 (0.171)
- International business strategy AC	-	0.160 (0.244)
Control variables:		
- Technology	0.035 (0.556)	0.094 (0.568)
- Employee (natural log)	0.179 (0.139)	0.179 (0.142)
- Structure – functional	-0.178 (0.465)	-0.325 (0.465)
- Learning culture	-0.443 (0.288)	-0.457 (0.281)
- Competitiveness	0.493* (0.257)	0.489* (0.266)
Model significance (F-test)	0.051	0.116
R^2	0.204	0.173
R^2_{adj}	0.106	0.071
N	73	73
Highest VIF score	2.565	2.376

* p<0.10, **p<0.05, ***p<0.01

Appendix F-3 Regression results for mimicking of FMNEs in Indonesia
(Standard errors in parentheses)

	Model 1	Model 2
Dependent variable	Mimicking FMNEs in Indonesia	Mimicking FMNEs in Indonesia
Constant	-1.183 (1.322)	-1.065 (0.352)
Independent variables:		
- Market AC	0.008 (0.202)	0.019 (0.209)
- Operational technology AC	0.619** (0.201)	-
- Strategic technology AC	-0.270 (0.170)	-0.091 (0.151)
- International business strategy AC	-	0.536* (0.215)
Control variables:		
- Technology	0.016 (0.489)	0.162 (0.502)
- Employee (natural log)	0.107 (0.123)	0.111 (0.126)
- Structure – functional	0.124 (0.407)	-0.062 (0.407)
- Learning culture	-0.221 (0.236)	-0.321 (0.248)
- Competitiveness	0.645** (0.224)	0.584* (0.232)
Model significance (F-test)	0.002	0.007
R^2	0.296	0.265
R^2_{adj}	0.211	0.175
N	74	74
Highest VIF score	2.642	2.431

* p<0.10, **p<0.05, ***p<0.01

APPENDIX G REGRESSION RESULTS FOR TESTING HYPOTHESIS 9

Appendix G-1 Regression results for mimicking of country selection
(Standard errors in parentheses)

	Model 1	Model 2
Dependent variable	Mimicking country choices	Mimicking country choices
Constant	-0.180 (1.287)	-0.246 (1.268)
Independent variables:		
- Market AC	0.158 (0.199)	0.133 (0.193)
- Operational technology AC	-	0.369* (0.192)
- Strategic technology AC	-0.040 (0.144)	-0.159 (0.162)
- International business strategy AC	0.260 (0.204)	-
Control variables:		
- Technology	-0.135 (0.477)	-0.210 (0.469)
- Employee (natural log)	0.136 (0.120)	0.134 (0.118)
- Structure – functional	0.079 (0.388)	0.200 (0.390)
- Learning culture	-0.268 (0.236)	-0.224 (0.227)
- Competitiveness	0.489* (0.221)	0.515* (0.215)
Model significance (F-test)	0.049	0.024
R^2	0.202	0.226
R^2_{adj}	0.106	0.132
N	74	74
Highest VIF score	2.301	2.642

* p<0.10, **p<0.05, ***p<0.01

Appendix G-2 Regression results for mimicking of entry mode decisions (Standard errors in parentheses)

	Model 1	Model 2
Dependent variable	Mimicking entry mode	Mimicking entry mode
Constant	0.093 (1.327)	0.019 (1.325)
Independent variables:		
- Market AC	0.231 (0.205)	0.241 (0.202)
- Operational technology AC	-	0.373* (0.201)
- Strategic technology AC	-0.219 (0.148)	-0.316* (0.170)
- International business strategy AC	0.377* (0.211)	-
Control variables:		
- Technology	0.116 (0.492)	0.017 (0.490)
- Employee (natural log)	0.173 (0.123)	0.169 (0.123)
- Structure – functional	-0.121 (0.400)	-0.019 (0.408)
- Learning culture	-0.269 (0.244)	0.194 (0.237)
- Competitiveness	0.392* (0.228)	0.439* (0.225)
Model significance (F-test)	0.029	0.027
R^2	0.220	0.222
R^2_{adj}	0.125	0.128
N	74	74
Highest VIF score	2.431	2.642

“-” variable omitted due to high collinearity and * p<0.10, **p<0.05, ***p<0.01

Appendix G-3 Regression results for mimicking of time to entry
(Standard errors in parentheses)

	Model 1	Model 2
Dependent variable	Mimicking entry timing	Mimicking entry timing
Constant	0.784 (1.390)	0.853 (1.388)
Independent variables:		
- Market AC	0.189 (0.212)	0.174 (0.214)
- Operational technology AC	0.335 (0.211)	-
- Strategic technology AC	-0.278 (0.178)	-0.196 (0.155)
- International business strategy AC	-	0.360 (0.220)
Control variables:		
- Technology	0.249 (0.514)	0.342 (0.515)
- Employee (natural log)	0.073 (0.129)	0.076 (0.129)
- Structure – functional	-0.059 (0.428)	-0.147 (0.418)
- Learning culture	-0.136 (0.249)	-0.209 (0.255)
- Competitiveness	0.339 (0.236)	0.293 (0.238)
Model significance (F-test)	0.224	0.215
R^2	0.143	0.145
R^2_{adj}	0.039	0.041
N	74	74
Highest VIF score	2.642	2.431

“-” variable omitted due to high collinearity and * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$