



ADDIS ABABA UNIVERISY SCHOOL OF COMMERCE

**CHALLENGES IN GLOBAL MARKET
COMPETITIVENESS: THE TEXTILE AND
GARMENT INDUSTRY WITHIN THE ETHIOPIAN
CONTEXT**

**A thesis submitted in partial fulfillment of the requirements for
the Award of the Masters of Arts (MA) degree in Marketing
Management.**

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**May, 2015
Addis Ababa**

**Addis Ababa University School of Graduate Studies
Marketing Management Department**

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Declaration

I Beza Lebenie hereby declare that this paper is my own work where the works of other persons have been used or referred to, such sources have been duly acknowledged.

Beza Lebenie

Signature.....

Date.....

Confirmed by advisor:

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CHALLENGES IN GLOBAL MARKET COMPETITIVENESS: THE TEXTILE AND GARMENT INDUSTRY WITHIN THE ETHIOPIAN CONTEXT

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Acronyms/Abbreviations

AGOA	African Growth and Opportunity Act
COMESA	Common Market for East and Southern Africa
DBE	Development Bank of Ethiopia
EBB	Everything But Arms
ETB	Ethiopian Birr
ETIDI	Ethiopian Textile Development Institute
EU	European Union
GTP	Growth and Transformation Plan
GDP	Gross Domestic Product
LDCs	Least Developed Countries
MoFED	Ministry of Finance and Economic Development
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
SD	Standard Deviation
UNIDO	United Nation Industrial Development Organization
UNCTAD	United Nation Conference on Trade and Development

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Abstract

Ethiopia's textile and garment industry has a long history which began in 1939. It is now the third largest manufacturing industry undergoing major developments aided by cheap labor force and lower energy costs compared to other countries in the region. Over the past ten years the sector has registered unprecedented growth and has yet to reach its full potential. However, despite the observable growth, the sector's overall export performance against the ambitious five year Growth and Transformation Plan (GTP) was poor.

The aim of this paper is to examine factors that are centrally affecting global competitiveness of the textile and garment companies in Ethiopia. The study find out major issues affecting the overall global competitiveness of firms in the sector taking core major issues of inputs, labor, infrastructure, and finance. In Addition, Michael Porter's diamond model that states; the characteristics of the 'home base' play a central role in explaining the international competitiveness of the firm and as such assessed the strength of elements effect under their categories of factor conditions, demand conditions, related and supporting industries, firms structure and rivalry, and government.

The result shows that, inefficiencies and lack of skilled labor as the first and foremost drawback, heavy dependency on imports of high cost, a need for a stable source of finance to employ innovative technologies and expansion for better competitiveness are major performance downsizings by shrinking their products demand in the global market. This paper is a contribution, in highlighting known issues in the industry are still persisting and pulling the growth of the industry backwards from achieving its full potential. This survey was conducted taking fifteen textile and garment companies from private, government and foreign investments located in central, northern, southern and eastern part of Ethiopia.

Chapter One: Introduction

1.1 Background of the study

Globalization refers to the process of the intensification of economic, political, social and cultural relations across international boundaries, which is principally aimed at “making global being present worldwide at the world stage or global arena”. It deals with the breakdown of trade barriers and increased integration of World market (Fafowora 1998). In other words, globalization is the broadening and deepening linkages of national economies into a worldwide market for goods and services (Ogunrinola and Osabuohien, 2010). In the twenty first century, globalization has gathered strong momentum and created unparalleled opportunities and posed unprecedented challenges for development of many nations(Deepak Nayyar, 2006).

Several ideologues believe that, globalization led to rapid industrialization and economic convergence in the world economy(Deepak Nayyar, 2006). It also opened the door to international trade to promote growth, innovation and efficient productivity to developing markets. (Axel Dreher, 2006).

An increasing number of developing economies have benefited from integration into the global economy (UNCTAD, 2008). Advocates of globalization contend that increased integration into the global economy is one of the best ways for developing nations like Africa to improve the standard of living and reduce poverty levels through economic expansion, job creation and higher incomes (Joseph Fosu, 2011). A study made by Mathew and Oluwatoyin (2013), show that Africa’s economic growth in the recent past is greatly affected by the concept of “free trade” birthed by global economic integration. This improvement in growth is mainly triggered by industry development and structural economic transformation through value-addition strategies in all sectors (agriculture, industry and services) as described in economic report of Africa ECA (2013).

However, despite all these positive outlooks of global economic integration and focus on industrialization, African countries particularly the Sub-Saharan Africa as a whole, trail the rest of the world on competitiveness. The 2013/14 World Economic Forum global competitiveness

report defines competitiveness in the global market as set of policies and institutions and factors that determine country's productivity which sets the level for prosperity and economic growth. The region continues to strive for sustainable economic growth through industrialization and infrastructure development by moving forward and improving technological uptakes even though it still remains weak, according to the report. Ng and Yeats (1997) also argue that sub-Saharan Africa's challenge in global trade is primarily due to its inability to become competitive in international markets.

Ethiopia as one of the fastest growing economy in the world and in Sub-Saharan Africa has created a foundation for the industrial sector to take a leading role in the economy and join the global market through export trade. According to Michael Geiger, World Bank's Country Economist for Ethiopia, "*Ethiopia follows a strategy of increasing exports to facilitate growth*". (Source: World Bank). This strategy is laid out in the ambitious five year Growth and Transformation Plan (GTP) 2009/2010-2015 of the country. The plan envisages industry sector will receive utmost emphasis by way of encouraging export based and import substituting industries. The plan further focuses on strengthening the small-scale manufacturing enterprises, as they are the foundation for the establishment and intensification of medium and large scale industries and as such will continue to make all the necessary facilitation to realize the GTP's industry objectives.

Manufacturing as one of the big industries in Ethiopia plays an important role accounting for merely 13.3% of GDP in 2006/07. (MoFED). It is mainly dominated by food, beverage, textiles, hides & skins, and leather industries. The sector is primarily oriented toward processing of agricultural commodities. The major manufactured export products comprise clothing and apparel, canned and frozen meat, semi-processed hides and skins, sugar and molasses, footwear, tobacco, beverages, oil cakes, bees' wax, and leather and leather products.

The sector is still struggling with challenges that gripped it for decades with Inadequate and poor quality imported raw materials and technologies, along with low level of technical skills topping the list. The immediate consequences of these challenges in the manufacturing industry is low local investment, low productivity, weak international competitiveness, weak technology

transfer, low capacity utilization, high investment and production costs, and slow progress in the industrialization(Rahel, 2007).

Textile and gourmet industry as one of the export oriented manufacturing industries registered a fast growth in the last decade. The industry is undergoing major development, aided by the availability of all essential ingredients for a competitive textile industry: raw materials, low wages, low energy costs etc. This gives the government and the sector a comparative advantage over other countries in the region with the government's active involvement to promote further modernization of the textile sector with the aim of becoming a better competitor in the global market.

In recent years, the global market for textile and other sectors has become increasingly accessible to countries, such as Ethiopia through initiatives as AGO(African Growth and Opportunity Act), COMESA (the Common Market of Eastern and Southern Africa) and the many bilateral trade agreements concluded with Western countries, including the Netherlands, Belgium and Luxembourg(Embassy of Ethiopia Washington, D.C.)

Furthermore, since 2010 the Ethiopian government has put effort to improve, support and expand the textile industry, both in serving the domestic market but mainly with the aim to export and be competitive at the global market (ETIDI 2014).

1.2 Statement of the problem

Ethiopia's development goals are laid down in the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) and its industrialization goals are set out in the Industrial Development Strategy. This strategy paper has explicit focus on private sector development and competitiveness for growth. It shows government's commitment to industrial development and changes specifying priority areas for selective intervention favoring few sectors for support. Some of the supports given to priority sectors include; favorable land lease rates, soft loans, tax incentives, subsidies for participation in trade fairs and international missions etc. These priority sectors are given priority focus because of their export potential given the limited

size of local market and potential to generate foreign exchange. (Source: Plan for Accelerated and Sustained Development to End Poverty, MoFED)

Textile and garment sector is one of the priority economic sub-sectors identified by the government. The sector is considered as a bridge to economic development because it integrates agriculture with industry. It is labour intensive, starting from cotton cultivation to the final fashion product. This is important because lots of employment opportunities are created and the sector contributes to the country's economic growth. That's why textile industry is now one of the key sectors in Ethiopia (Addisu Ferede, Scientific director IOTEX Bahir Dar University 2013).

Following the launch of the Growth and Transformation Plan, the sector started to undergo fundamental structural change and now set to make Ethiopia an important hub for the industry with the aim to achieve 1 billion dollars' worth of textile exports by the end of the Growth and Transformation Plan (GTP) period. In the 2009/10 budget year from the export of the sector, the country obtained 23.2 million dollars from the projected 85 million dollars. In the following budget year 2010/11, 62.2 million dollars were earned from the sector's exports, which is the most in the country's history. The year 2012 also registered 28% growth in export employing over 40,000 people (ETIDI, 2012).

However, despite the exceptional achievement which is in sharp contrast to the sectors halfhearted performances a decade ago, there is underperformance of the plan from year to year and the sector has yet to meet the ambitious growth and transformation plan across the value chain. Ever since the beginning of the GTP, government plans for the sector have grown contrary to its actual delivery. The report continues to states; so far, unmet target of 350 million dollars with only 111 million dollars export performance is registered for the sector which is below 40 %. The textile export sector is characterized by high concentration of a few large firms and their performance and survival rate especially in the EU market is very low (World Bank, 2014).

A review of literature in the Ethiopian textile industry shows under performance and lack of competitiveness of the sector in the global market is due to inefficiencies in input, design, technology leading it to produce below capacity. The cotton production that supplies raw

materials to the industry needs to be advanced in order to produce better quality hence quality contributes to competitiveness (Clara Alderin, 2014). Correspondingly, Rahel (2007) found out that exporters under AGOA are forced to work with the raw materials available in their own country and the quality has to match international standard which doesn't go with the realities of Ethiopia. In addition low performance and lack of competitiveness in the global market is blamed on poor quality and quantity of cotton (Ministry of Industry, 2004).

R B Chavan (2010) addressed, most of the factories in the sector are characterized by old and obsolete machineries that exist in most of the textile mills together with lack production management are contributed to their inefficiency.

The above findings imply there is a market but the sector is faced with challenges prohibiting it to increase its exports in the international market and upgrade its produce to international standards.

Another study made on competitiveness of Ethiopian garment industry by Tinsae (2006); it was found that the reason Ethiopian garment industries are not in a position to be competitive in the international market is related to access to high quality of inputs at a reasonable price, unreliability in foreign suppliers, problems with infrastructure, lack of adequate source for information to apply new technology were the reasons identified.

However, the study was limited only in two regions; northern and central part of Ethiopia; in addition to garments, the sector includes cotton production and textile fabrics but the study is limited to garment activities competitiveness. Also, learning the challenges from government level might give insights what the regime is doing and not doing to improve the sectors performances. And ever since 2006, companies in the industry expanded reaching 136 in number including east, south and western part of Ethiopia. Today, after 8 years, the government of Ethiopia came up with a five year Growth and Transformation Plan taking textile and garment as a priority sector; endowed with various incentives and supports for companies; extraordinary change in infrastructure starting from road improvement to power supply double; aggressive

foreign investment; the sectors performance level up to at least to the acclaimed GTP due to end in 2015, is very low.

Thus, understanding the reasons for poor performance of the sector in the global trade arena taking all representative regions, especially for the medium and small scale factories can help alleviate the problems and enhance the potential outputs of the sector hence contribution to the fulfillment of GTP. This study, therefore proposes to find out the major challenges the textile and garment factories face that inhibit them from becoming competitive in the global market and also to find out the weak link between the sector and the government's efforts and narrow the information gap.

1.3 Research questions

The study will try to answer the following research questions:

- How is Ethiopian textile and garment sector challenged from global competitiveness standards?
- What are the challenges/problems preventing Ethiopian textile and garment from achieving its export targets in the global market?

1.4 Objectives of the study

1.4.1 General objective

The general objective of the study is to identify major challenges the textile and garment industry suffers causing it to be less competitive and declined export sales targets in the global market.

1.4.2 Specific objectives

- To pin point key sources of the competitiveness bottlenecks particular to the textile and garment sector
- To determine standards of excellence or the determinant factors of competitiveness in the global market.

1.5 Significance of study

Today, economic development is understood to involve the development of industry to increase the productivity of agricultural base as well as structural transformation clearly pointing out the role of “Manufacturing”. The role manufacturing plays in an economy has received considerable attention by the Ethiopian government which is reflected in the industrial strategy policy and the five year growth and transformation plan devised in 2010/11 (PASDEP , 2005/06-2009/10)

These two major blue prints to Ethiopia’s evolution in the global economic arena give specific emphasis to export oriented priority sectors for *selective* interventions that favor certain sectors over others. Amongst which textile and garment sector is a candidate because of the comparative advantage the country owns in terms of cheap labour, raw materials, low energy costs, and ease of access to international markets.

Ethiopia’s long history in textile goes back to 1939 where the sector is limited to serving only the domestic market. Now, it is undergoing major development owing to the government’s commitment to maximize from its enormous export potential ever since the past decade. The sector embraces both medium and large public and private enterprises accounting 1.35% contribution to GDP (Rahel, 2007). In the export market, the sector’s outputs and products mainly targeted European, African and US markets.

Ever since the GTP is envisaged the sector amassed 111 million dollars from export and has yet to meet the 1 billion dollar target set to it with less than target performance from year to year. Poor quality and quantity of cotton production are claimed to major contributors to poor performance against target in recent years in the report released by Ministry of Industry and Ethiopian Textile Industry Development Institute in 2014.

Back dated researches made exploring the sectors opportunities and challenges in terms of AGOA (Rahel, 2007), to explain the emerging nature of the textile sector getting an eye from transnational companies for outsourcing. Unfortunately, despite the often reported shortcomings that highlighted lack of skilled labor and poor quality outputs to meet international

competitiveness standards, none of the studies primarily focused on the manufacturing enterprises challenge that is keeping them from becoming competitive/producing competitive products in the global market are adequately addressed. The enterprises need to be benchmarked to their counter parts in Europe, Asia and Africa to find out what caused the lack of competitiveness as an enterprise and whether the issues are manageable in the near future to aim for a better performance. This is an area that needs understanding at a grass root level where challenges seem to change faces in today's volatile worldwide market. This study therefore, will provide fresh information to the sectors competitiveness challenge that might otherwise bubbled recently and the ones that has been addressed and/or poorly addressed to aware the relevant stakeholders and the wider public.

1.6 Scope/Delimitations of the study

The study will be made spatially in five parts of Ethiopia. Northern, Southern, Eastern, Western and Central part of Ethiopia in order to make the study more representative and involving textile and garment manufacturers in each part of the country including those which are fully integrated starting from cotton farms. Information will be collected from small, medium, large, local private, foreign private and government firms in all the value chain. In addition, government actors specifically related to the sector will be included in the study.

1.7 Limitations of the study

In order to collect the relevant data from the firms except from the central part of Ethiopia, traveling to all the four regions is mandatory. This requires certain amount of time and cost. The study doesn't have any financial sponsor.

1.8 organization of the paper

This study is organized in five chapters. The first chapter will introduce about the study, define the problem, identify research questions, and state the objectives, significance, delimitation and limitations of the study.

The second chapter will be dedicated to text materials from various literatures, discusses topics within the study area and describes relevant models.

Chapter three will give methodologies to be employed to gather information from the targeted population.

Chapter four will describe the findings using descriptive statistics. Chapter five will provide conclusion and recommendations, limitations and future study recommendations.

Chapter Two: Literature Review

Today many countries and industries realized the importance of conducting business activities outside their home country. Industries that were essentially national in scope, today are dominated by companies operating in the global market. This movement is highly attributable to the practice of global marketing. Global marketing as a concept is a *market participation* the extent to which a company has operations in major world markets. It deals with standardization versus adaption or response to the needs of the specific market requirements regarding market offerings and dealing with each marketing mix elements (Alanah Davis 2011).

2.1 Definition and concepts in global marketing and competitiveness

Basically global marketing consists of finding and satisfying global customer needs better than the competition and of coordinating marketing activities within the constraints of global environment. It is about developing a marketing strategy based on similarities and differences between markets. Exploit the knowledge of the home country/organization, transfer best practices from any of its markets and use in other international markets (Svend Hollensen 2007).

The most recent characterization and concept of global competitiveness are the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be reached by an economy (World Economic Forum, 2013-2014)

Svend noted that with globalization becoming a centerpiece in the business strategy of many firms and countries-the ability to manage the global knowledge engine to achieve a competitive edge is as such mandatory. That is responding to each market needs better than competitors will push companies to excellence. In doing so, Svend stressed that greater importance should be given to transnational similarities for target markets across national borders and less on cross-national differences. The major drivers for this shift as recognized by the author are; removal of trade barriers, relationship management, standardized worldwide technology, etc.

According to a study made by Prafulla and Hemalatha (1997) on marketing strategy for competitiveness in the global market, they explained four broad groups as industry globalization drivers-market, cost, government and competitiveness. These four drivers has a potential to determine the industries level of globalization survival. In this study, points addressing competitiveness of an industry in the global market indicate that competitiveness depends on the macro environmental factors such as policies of the home country government, the degree of consumerism in the home country and the nature of completion were some of the points. But what determines competitiveness of a firm and of an industry?

Prafulla and Hemalatha (1997) cited the summarized works done by other scholars as internal determinants like efficiency and effectiveness of production play a major role in determining competitiveness. That is, the cited writers believed that competitiveness of a firma and of an industry is the ability to produce goods/services that meet or exceed the expectations of customer; delivering of these goods/services at the right time, place and price required by the customer. However, a different perspective by Barlett and Ghoshal (1989) indicate that the forces of global integration, local differentiation, and worldwide innovation had all become so strong and in order for a firm or industry to compete effectively, development of efficiency with innovativeness, developing capability to become responsive to tastes, technologies, regulations, exchange rates, flexibility in product/service design and of the overall marketing mix is essential.

Prafulla and Hemalatha (1997) also quoted Porter (1986), as claiming, in international competition companies compete with global strategies, involving not only in trade but also in foreign investment. A nation must provide a favorable home base for companies that compete globally. The home base as porter calls it is the nation in which the essential competitive advantages are recognized, sustained and exploited.

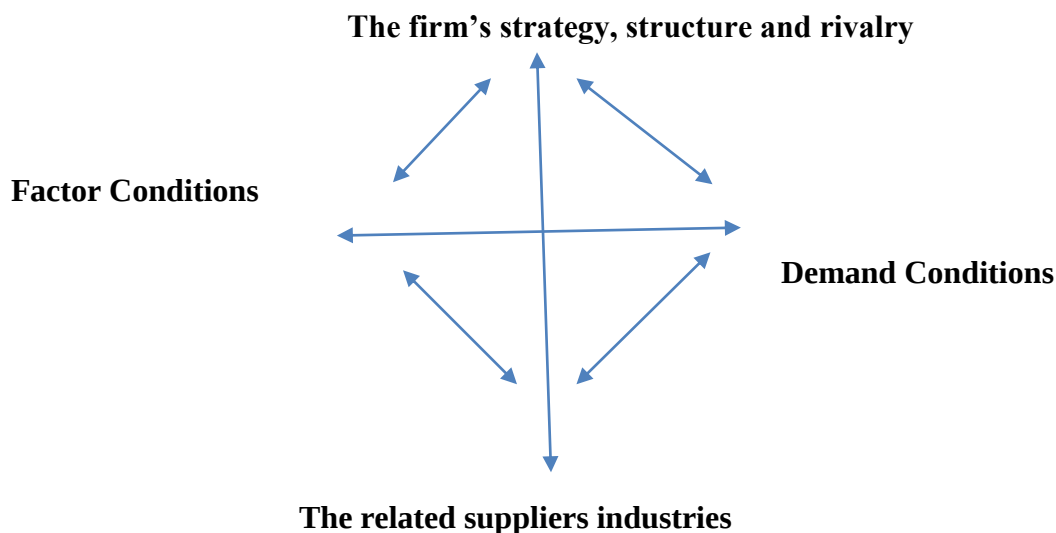
2.2 Global competitiveness analysis model (Porter's Diamond Model)

Michael Porter offered a model that allows examining why some states are more competitive and why some industries within states are more competitive than others are. In his model, Porter tried to detect national competitiveness of industries with which to assess the sources of competitive

advantages of an industry in a particular country and it can help realize the competitive status of a nation in global competition.

This model consists of four national determinants of competitive advantage: factor conditions, demand conditions, related and supporting industries, and firm's strategy, structure and rivalry. The Porter's theory is that these factors interact with each other to form conditions where innovation and competitiveness occurs (Svend Hollensen 2007).

In his quest to understand why some nations and industries are more competitive than others, he looked 10 nations and over 100 sectors for four years. The four corners of the diamond model are; "factor conditions", "demand conditions", "firm strategy, structure and competition" and "the presence of related and supporting industries". Government and luck factors are also included in the system.



Source: Svend H. 2007. Global Marketing, Decision Making Approach 4th edition

The essence of the model describes firm gains important competitive advantages from the presence in its home nation of world-class buyers, suppliers and related industries. They provide insight into future market needs and technological developments. They contribute to a climate

for change and improvement, and become partners and allies in the innovation .process i.e. the characteristics of the ‘home base’ play a central role in explaining the International competitiveness of the firm – the explaining elements consist of factor conditions, demand conditions, related and supporting industries, firm strategy – structure and rivalry, chance and government.

Factor Conditions: in this connection, mobility factors play the most important role in competitiveness. E.g. factors with low mobility create the ground for international competitiveness. For example, India has a high growth in IT but the poor infrastructure is still a barrier for creating further international competitiveness in many industries. Finland will never be a major producer of citrus fruit, no matter what government and industry do to try to change the rest of the national diamond.

Demand Conditions: There exists an interaction between scale economies, transportation costs and the size of the home market. Given sufficiently strong economies of scale, each producer wants to serve a geographically extensive market from a single location. To minimize transportation costs the producer chooses a location with large local demand. When scale economies limit the number of production

locations the size of a market will be an important determinant of its attractiveness. Large home markets will also ensure that firms located at that site develop a cost advantage based on scale and often on experience as well.

The related or supplier industries: the existence of related suppliers in a nation is argued as the third dimension of diamond model [16]. The presence or absence in the nation of related industries and supplier industries which interact (both horizontally and vertically) with the target sector is a basic factor. The relationships among these clusters of industries are crucial to the success of a determined sector within a nation as “they operate learning, innovation and competitiveness, and are thought about put together the maximum synergies when all requisite institutions necessary to operate learning, innovation, and competitiveness and economic agents are linked up

Firms' strategy, structure and rivalry: Porter suggests that the strategy of firms, the structure of industry and the rivalry have effects on the competitiveness of the sector. Firms' strategy, structure and rivalry get hold of the hardness of home competition. Whether a sector is extremely competitive domestically will affect the rise in productivity required to compete internationally.

Therefore, Porter's diamond model uses the above mentioned dimensions to analyze a nation's and industries competitiveness in the global market and determine reactions.

2.3 Overview of the Ethiopian textile and garment industry

Ethiopia's traditional apparel (cottage industry) produced by handlooms has a long history in providing the needs of the people. These traditional apparels are made of woven cotton thread. Some of these products are "kuta", "Tibeb", "Gabi", "Netela", etc. This traditional cottage industry is inherited continued to up now. The modern textile and garment industry began in 1939 when, under Italian occupation, the first garment factory was established by a foreign capital. Before 1975, five large scale integrated textile mills and two apparel enterprises were established by private capital. In 1975, all private factories were nationalized. From 1975-1992 in order to satisfy the increasing domestic demand, four large scale integrated textile mills two additional apparel industries were established. Since 1992, free market economy was introduced encouraging the entry of domestic and foreign private capital transforming ownership of the state owned enterprises(Yared, 2010).

The country's current textile and industry encompasses spinning, weaving and processing, with end products including, socks, uniforms, bed sheets, men and women clothing etc. it consists of three parts(chains): upstream(fiber production), mid stream(fabric and dyeing), and d(own stream(garment/apparel production)). The industry has two major operations; preparation of yarn and manufacturing of fabric. It produces variety of products. Spinning firms produce yarn and sewing thread, integrated mills produce wide variety of fabrics knitted and woven. Garment manufacturers on the other hand produce various garments for the local and international market (Yared, 2010).

Out of the raw materials used by textile enterprises, cotton is widely grown in Ethiopia and it is easily available from local suppliers. Other materials including chemical fiber, wool, dyestuffs and chemicals as well as a small share of lint depend on imports.

The Ethiopian textile and garment industry is characterized by labour intensive and capital intensive nature. Available within Ethiopia are all essential ingredients for a competitive textile industry: raw materials, low wages and low energy costs. This gives the country a comparative advantage over other countries and regions.

Ethiopia's textile export is mainly targeted at European and African markets. In Europe, the export destinations for Ethiopian textiles are Italy, Sweden, and Belgium etc. African major export destinations are Djibouti, Kenya, Swaziland etc. this is markets has become increasingly accessible to Ethiopia through initiatives as AGO(African Growth and Opportunity Act), COMESA (the Common Market of Eastern and Southern Africa) and the many bilateral trade agreements concluded with Western countries, including the Netherlands, Belgium and Luxembourg.

The textile industry in Ethiopia is expanding rapidly; in 2012 the textile export grew 28 % and employs over 40'000 people. ETIDI is expecting to earn US\$250 million from textile exports in the coming year, from July 2013 (Clara Alderin, 2014).

2.4 Review of empirical studies

There are studies made to analyze Ethiopia's textile and garment sector in the global market. Tinsae (2006) studied Ethiopian garment industry competitiveness and export performances. The study was envisage to find out the major impediments of competitiveness in the the garment industry at firm and inter-firm level. In a firm level analysis the study uncovered access to high quality inputs at a reasonable price was one of the impediments to competitiveness. The survey result which concentrated only in the central and northern regions of Ethiopia indicates that foreign and local textile producers as the sources of fabric inputs for garment industries. In addition 95% of the respondents for the study explained they import accessory components

which show heavy dependency in foreign inputs. Another factor identified as a major impediment was quality. The result of the survey indicated that no local company works under surveillance of a local quality control and standard authority. Lack of information about marketing channels, lack of experience in exporting and failure to establish marketing networks and infrastructure developments were also of the impediments identified.

Another study was made by Yared (2010) to explore demand and supply side determinants of the Ethiopian textile and garment sector export performance. In his study, the share of this industry in the total country and total manufacturing industries increased through time on the AGOA, EBA and COMESA arrangements, the overall Ethiopian export performance has remained poor and far below the performance of other Sub Sahara African countries in all free access market agreements. Raw cotton was found to have a significant impact on the export of the industry. When raw cotton is exported, the domestic textile mills lose the best quality (grade-A) of the raw material. This condition has forced the textile mills to use inferior quality (might be grade B and C) raw cotton with highest cost. In addition, even if the labour cost of this industry increases from time to time, still our labour cost is relatively low when compared with the international standards. This low labour cost of the textile and apparel industry positively contributed to the improvement of export performance of this sector.

Clara Aledien (2014) found out that higher education in textile education is another central factor for the textile industry, in order to become competitive and it is therefore a specialized input. Another important finding by Clara was that for the factories in Ethiopia is to have modern machines and technologies that can deliver the quality of the textile those transnational companies are demanding.

Chapter Three: Research Methodology

3. 1 Research design

Broadly speaking, the two categories of data collection techniques used in scientific research are quantitative or a qualitative research design within which there are hosts of different specific designs like field surveys, case studies, experiments etc. Quantitative designs are designed to collect mainly primary data such as numeric scores and metrics, while qualitative designs are aimed at collective qualitative data, such as interview or observational data (Anol Bhattacharjee, 2012, P.37).

This study employed survey research design. Survey research design is a research method involving the use of standardized questionnaires or interviews to collect data about people or organizations, their preferences, thoughts, and behaviors in a systematic manner (Anol Bhattacharjee, 2012, P.74). This research design is best suited for this study; it will provide primary data directly from the targeted population.

3.2 Target Population

The target population comprises of all textile and garment manufacturers in Ethiopia which are directly or indirectly involved in the international trade. The overall textile and garment manufacturing organizations in Ethiopia are over 136, distributed in the five parts of the country; Central Ethiopia, Northern Ethiopia, Southern Ethiopia, Western Ethiopia, and Eastern part of Ethiopia.

3.3 Units of Analysis

Unit of analysis is related with the population of the study (specific population) that is used to collect data. Under the population of this study(textile and garment manufacturers in Ethiopia), there are variety of textile and garment manufacturers; locally originated, foreign investments, government owned, private owned, large, small and medium sized, which for this study are the units of analysis.

3.4 Sampling

The populations of the study are all textile and garment manufacturers in Ethiopia at large.

To simplify the overall data collection process, the study, divided the population into five geographic locations; northern, southern, western, eastern and central part of Ethiopia. Each location will be taken as a stratum, where representative samples will be taken using non-probability purposive sampling technique. Anol Bhattacharjee (2012, P. 16) defined Stratified sampling a technique applied to obtain representative samples by classifying the population into a number of sub-populations(stratum) that are individually homogeneous and as such, since each stratum is more homogeneous than the general population, precise estimates can be taken from the component parts-stratum.

3.4.1 Sampling Procedure

From the population of the study-all textile and garment manufacturers in Ethiopia, two basic criteria were used as a first screening mechanism to select samples;

1. Ten years and more experience in the textile and garment industry (i.e. established on/before 2004 G.C.)
2. Experience selling in the international market/ firms supplying to the international market

3.4.2 Sample Size

Samples of fifteen factories were used to collect primary data. In order to make sure rational allocation of samples sizes are taken from each stratum (location/region), the method of proportional allocation will be used under which the sizes of samples from different strata are kept proportional.

That is,

If P_i represents the proportion of population included in stratum i , and

n represents the total sample size,

The number of elements selected from stratum i is $n \times P_i$.

From more than 136 textile and garment factories in the country, using the above two criteria only 31 of them had been present in the industry for 10 and more years with direct or indirect international trading experience. The thirty one textile and garment manufacturers allocated to each location are presented in Table 3.2 and Table 3.4 below.

Table 3.4 .1 Factories by location

Location	Northern Ethiopia	Southern Ethiopia	West Eth.	Eastern Ethiopia	Central Ethiopia
	Bahirdar Textile S.C Debrebirhan Blanket Factory Alemeda Textile S.C. Maa Garment & Textile Factory Huavu Textile Industry	Arbaminch Textile Factory Awasa Textile S.C. MNS Manufacturing Nuoya Textile investment	--	Kombolcha Textile	Edeget Yarn Ethiopian Sewing & Thread Factory DH Geda Blanket Factory KK Plc Eltex Textile & Garment Yirgalem Addis Textile Factory Addis Garment Yonis Garment Plc Sabhar Plc Belayneh Beka Button's & Accessories Soney Garment Akaki Garment Ambassador Garment Ediget Garment Plc EMD Garment GMM Garment Gulele Garment S.C. Knit to Finis Plc Nazareth Garment S.C. Yonas Tibeb Plc Wossi garment

(Source: Ethiopian Textile Development Institute)

3.4.3 Sample Size Calculation

Table 3.4.2 Number of factories and sample size by location

Location	Northern Ethiopia	Southern Ethiopia	Western Ethiopia	Eastern Ethiopia	Central Ethiopia
No. of factories	6	4	0	1	20
n (sample from each region)	2	2	0	1	10

Formula

p_i = Proportion of population to be included in stratum i.

N = Population size

n = Sample size

n_i = Sample size from each stratum

$p_i = n/N$

Northern Ethiopia

N=31

n =15

$p_{North} = 5/31 = 0.16$

$N_{(north)} = 0.16 \times 15 = 2.4$

Southern Ethiopia

$p_{South} = 4/31 = 0.13$

$n_{(South)} = 0.13 \times 15 = \underline{1.95}$

Western part of Ethiopia

$p_{West} = 0$

Eastern Ethiopia

$p_{East} = 1/31 = 0.03$

$n_{(East)} = 0.03 \times 15 = 0.5$ approximately = 1

Central Ethiopia

$p_{central} = 21/31 = 0.7$

$n_{(central)} = 0.7 \times 15 = \underline{10.16}$

3.5 Data Collection Instrument

The study employed researcher administered methods of questionnaire in order to collect primary quantitative and qualitative data from different levels of management in the enterprises. The questionnaire used the typical form of fixed, multiple response alternatives and open ended questions. According to Kothari C.R., (2004), this survey approach is the most popular method of data collection extensively employed in various economic and business surveys being low cost even when the universe is large and is widely spread geographically.

The questionnaire contains three parts; I, II and III. Part I has questions on profile of respondents, Part II includes basic questions on factors or challenges affecting competitiveness finally Part III ranks responses for categories according to diamonds model of competitiveness.

From 15 distributed questionnaires, 12 questionnaires were completed fully while three companies didn't respond, with one questionnaire poorly filled up.

3.6 Data Analysis and Presentation

The collected data will be analyzed using SPSS (statistical package for social science). It is a Windows based program that can be used to perform data entry and analysis and to create tables and graphs. SPSS is capable of handling large amounts of data and can perform all of the analyses covered in the text and much more.

In this study, descriptive statistics is used to describe the data and examine relationships between variables under study. Marczyk et. al. (2005, p. 209), explain; descriptive statistics are used to describe the data collected in research studies and to accurately characterize the variables under observation within a specific sample. The principal objective of descriptive statistics is to accurately describe distributions of certain variables within a specific data set. There are variety of methods for examining the distribution of a variable (Marczyk et. al. 2005). Below are details of the descriptive statistical tools used for the analysis; frequency distribution, measures of dispersion.

3.6.1 Frequency Distribution

Frequency distribution is simply a complete list of all possible values or scores for a particular variable, along with the number of times (frequency) that each value or score appears in the data set. Frequency tables can be used to provide a general overview of the distribution (Marczyk et. al. 2005).

3.6.2 Dispersion

Measures of central tendency, like the mean, describe the most likely value, but they do not tell us anything about how the values vary. *Dispersion of* a distribution provides us with information about how tightly grouped the values are around the center of the distribution (e.g., around the mean, median, and/or mode). The most widely used measures of dispersion are range, variance, and standard deviation. The variance of a distribution gives us an average of how far, in squared units, the values in a distribution are from the mean, which allows us to see how closely concentrated the scores in a distribution are. The *standard deviation* is simply the square root of the variance.

Chapter Four: Data Analysis and Presentation

4.1 Respondents Profile

A sample size of 15 textile and garment companies were taken for the survey “Global Market Competitiveness Challenge: the textile and garment industry within the Ethiopia context”. All respondents were textile and garment companies with ten years or more existence in the industry with direct or indirect international marketing experience.

4.1.1 Ownership

Table 4.1.1 Company Ownership

Ownership		Frequency	Percent
	Public/Government	1	8.3
	Wholly domestic private	9	75.0
	Wholly foreign private	2	16.7
	Total	12	100.0

(Source: Questionnaire)

Mix of companies from government, private and foreign investments were taken for the survey. And 75% of the respondents are wholly domestic private companies, 16.7% of them wholly foreign private the rest 8.3% are government companies. Their main areas of operation include; ginning, spinning, weaving, and garment production with major target market segments domestically as well as internationally including; government institutions, hospitals, students, military, other household consumers, manufacturers and retailers of international brands.

4.1.2 Preferential market access usage

Table 4.1.2.1 Preferential market access usage

Preferential market usage		Frequency	Percent
	no	3	25.0
	yes	9	75.0
	Total	12	100.0

(Source: Questionnaire)

As part of bilateral and multilateral trade agreement between countries, the government of Ethiopia uses several preferential market access agreements to export its products into different continents. Some of the agreements made with US, European Union, and Eastern and Southern Africa are; AGOA (African Growth and Prosperity Act), EBB(Everything But Arms) and COMESA(Common Market for Eastern and Southern Africa).

To that end, 75% of the respondents use preferential market accesses to export their products to US, Europe, Southern and Eastern African countries, while 25% don't make use of these agreements. 27.3% export their products to Europe, 54.5% to US, 9.1% export to African and Asian markets.

Table 4.1.2.2 Preferential market access types used

Types of preferential market access agreements		Frequency	Percent
	None	3	25.0
	EBB	2	16.7
	AGOA	6	50.0
	EBB & AGOA	1	8.3
Total		12	100.0

(Source: Questionnaire)

Table 4.1.2.3 Export Destinations

Export Destinations		Responses	
		N	Percent
	Europe markets	3	27.3%
	US markets	6	54.5%
	African markets	1	9.1%
	Asian markets	1	9.1%
Total		11	100.0%

(Source: Questionnaire)

As can be seen in Tables majority of the respondents use preferential market access schemes to benefit from duty and quota free exports with US being the major export destination for the companies and Europe second. In this survey result the use of AGOA i.e. US as a major export destination is strongly highlighted. In 2007, a study made by Rahel Abebe focusing on AGOA indicates that Ethiopian Textile and Garment industry's exploitation of AGOA was very limited. However after eight years, this study found out that companies are now taking advantage of the AGOA scheme more than ever which is due to be closed in 2015.

4.2 Factors identified affecting competitiveness of the Ethiopian Textile and Garment industry

There are five major factors identified in various literatures as problems in the textile and garment industry's poor performance and/or lack of competitiveness in the local as well as in the international market. These factors are: **inputs, labor, finance, infrastructure, firm's overall strategy**. These factors have the ability to explain what challenge companies to be better competitors in the global market.

4.2.1 Inputs

Table 4.2.1.1 Frequency distribution of sources of inputs

Source of inputs		Frequency	Percent
	Imported	3	25.0
	Both imported and domestic source	9	75.0
	Total	12	100.0

(Source: Questionnaire)

Getting access to quality inputs at a reasonable price believed to determine the outputs of the textile and garment industry to be better competitors in the local as well as in the international market. The Ethiopian textile and garment industry use both international as well as local suppliers as sources of inputs.

The survey result indicates that 25% of the respondents use fully imported inputs and 75% use both import as well as domestic suppliers as sources of inputs. Even if only 25% of the respondents use fully imported inputs, the 75% of respondents still use both sources which indicates heavy dependency on imports.

Table 4.2.1.2 Imported inputs problems

Problems with imported inputs		N	Percent
	High cost of imported inputs	6	30.0%
	Delay in clearing goods from customs	9	45.0%
	Foreign exchange shortage	5	25.0%

(Source: Questionnaire)

In addition to heavy dependency on imports, respondents also complained about cost, customs clearance and shortage of foreign currency issue as major problems related to imported inputs. That is, 30 % complained about high cost, 45% complained about delay in customs clearance, 25% of the respondents claim foreign exchange is a problem when importing inputs.

Table 4.2.1.3 Frequency distribution of problems with local inputs

Problem with local inputs		N	Percent
	Inferior quality of domestic inputs	9	42.9%
	Reliability of domestic suppliers	4	19.0%
	Availability in the local market	8	38.1%

(Source: Questionnaire)

In addition, the surveyed respondents who partially use locally available inputs also complain about their inferior quality, unreliability, and ease of availability as problems with locally purchased inputs. I.e. 42% of the respondents complained about inferior quality, 19% on reliability and 38.1% on ease of availability.

Table 4.2.1.4 Frequency distribution of impact of inputs in the competitiveness of products in global market

	Frequency	Percent
Strongly disagree	1	8.3
Disagree	0	0
Strongly Agree	8	66.7
Agree	3	25.0
Undecided	0	0

(Source: Questionnaire)

Under inputs impact/influence in the global competitiveness and/or export performances of the companies, there were 5 specific statements in the form of likert scale. Each statement asks agreement levels whether issues related with inputs affects global competitiveness of the companies.

As the above table indicates, 66.7% of the respondents strongly agree, 25% agree, 8.3% strongly disagree on issues related to inputs impact competitiveness of their products in the global market. This shows that respondents strongly believe problems related with inputs(local and Imported) is affecting their competitiveness level in the global market interms its high cost, lack of foreign exhchange, delay in custom clearing of the goods is causing not to respond to orders by producing high quality, fairly priced products in a timely manner as a result shift to other country products.

These impacts of inputs has been lamented in several previous studies; for instance, a study made by Tinsae Berhanu (2006), indicates that there is a need of establishing vertically integrated textile and garment plants fulfilling quality standard requirements of the global market which can help to source the inputs locally with reasonable prices for companies can become more competitive. Today, after nine years inputs being highlighted as problems for textile and garment companies, this survey result indicates, the problem still persists with additional dimensions.

4.2.2 Labor

Textile and garment is one of the labor intensive industries in Ethiopia. And, Ethiopia is a highly populous country with opportunity to employ large amount of people in such industries. However, despite the amount of labor force available according to previous studies cited and the surveyed companies, in this study labor is one of the main challenges for the Ethiopian textile and garment industry to compete in the global market; especially availability of skilled labor and their production efficiency.

Table 4.2.2.1 Frequencies distribution of skilled labor force

Skilled labor force percentage	Frequency	Percent
20	2	16.7
25	3	25.0
50	1	8.3
70	1	8.3
75	5	41.7
Total	12	100.0

(Source: Questionnaire)

Percentage of responses by the companies indicates that 41.7% of the respondents claim 75% of their labor force are skilled, 25% of them claim 25% of the labor are skilled, 16.7% of them claim 20% of the labor are skilled, 8.3% of respondents claim 50% and 70% of the respondents are skilled.

When asked to clarify why majority of the respondents claim much of their labor force as skilled; considering the industry being labor intensive and the greater part available are unskilled? The responses received were, “at least in order to operate different kinds of machines, we provide trainings for most of the labor force; for example sewing machine operators; we consider these employees as skilled or generally put them under the category of skilled labor force because when they come to be employed they come with no training at all. They blame this issue on the government’s emphasis to open schools and Universities by encourage students to enroll in this sector. Because there are not enough schools to train students in the sector with most of vocational students not preferring to be trained in this line of work.

For example, University level, Bahir Dar University is the only institutions that graduate students in textile sector. However, even if this is a good start, the university is taking high scoring students to remain as lecturers for freshman and other level students having no experience and exposures on how the industry works which is also creating problems on the qualities of the limited skilled labor. One Surveyed Company specifically heightened this problem a constraint for labor force growth in the industry.

Table 4.2.2.2 Descriptive Statistics: Means skilled and unskilled labor

N	Percentage of skilled employees	Percentage of unskilled employees
12	50.83	37.92

(Source: Questionnaire)

when the means of respondents for skilled and unskilled labor forces compared, on average 50.83% of the labor force are skilled and 37.92% of the labor force are unskilled.

Still, as the respondents explained, despite claiming higher proportion of labor force as skilled; considering trained machine operators as skilled; the general labor force productivity and production efficiency is so low and is one of the main reasons pulling the companies back not to be better competitors in the global market arena. That means, workers do not work as fast as needed, to meet international demands in time delivery and that they lack technical experience.

..... There is a challenge when it comes to lack of experience in the labor force. International buyer need fast effectively and communication and at the time, buyers can suffer from local ineffectively. They are used to quick communication and delivery (Yared Mesfin, marketing director TIDI, 2013).

In addition, the respondents strongly stated that, labor force problem attributing to productivity efficiency and motivation is resulting lack of competitiveness.

4.2.3 Finance

Table 4.2.2.3 Frequency distribution of working capital source

Working capital source of finance		N	Percent
	Own fund	8	47.1%
	Foreign loan	1	5.9%
	Domestic loan from banks	7	41.2%
	Government fund/export guarantee scheme	1	5.9%

(Source: Questionnaire)

A central factor for companies to secure price advantage mixed with competitive product quality is access to finance. For a working capital 47.1% of the surveyed firms use own fund, 5.9% foreign loan, 41.2% domestic loan from banks, and 9.1% use government fund (export guarantee

scheme). These responses from surveyed firms indicate that, the majority of the respondents use own fund and domestic loan to finance their working capital. Even if the government of Ethiopia put in place-export guarantee scheme fund as an incentive, most the percentage of firms using this scheme is very minimal. In a study made by Tinsae Berhanu (2006), 1.5 billion birr was granted by the development bank of Ethiopia taking the business itself as collateral, to support companies in the exporting to the global market. But, only 30% of that credit was used during that time.

Another study made by Rahel Abebe (2007) indicates lack of finance as a major constraint for companies becoming better competitors. i.e. the study identified, machineries to produce woven and knitted fabrics have a very high price, very important inputs that are not available in the required quality and quantity in the local market has to be imported, the financing scheme to be implemented by Development Bank of Ethiopia has a very long and complicated procedure which discourages firms' ease of access.

Yared Mesfin's (2010) study also backs the claims made above specifically stating governments financing scheme as poorly organized. He found out that, even if DBE has dedicated itself for financial support of this sector. DBE lack knowledge, experience, timely delivery service and efficient monitoring and evaluation of the textile and apparel industry loan request starting from the initial stage (submission of application) up to the end.

The survey result and previous studies confirm that, using government export guarantee incentive scheme is very minimal owing to the implementation of the service from the government side intensifying finance as a bottleneck.

4.2.4 Infrastructure

Another important issue identified as impediment to competitiveness of the textile and garment industries is infrastructure. In this study physical infrastructure including **power supply, water supply access to roads and ports, telecommunication and internet** were taken as physical infrastructure issues that has effects in the competitiveness of the textile and garment industry.

Power cost in Ethiopia is very low compared to other countries in the region. With various power dams under construction and commissioning in recent years, the manufacturing industry consumption of power is increasing from time to time. As a result, most of textile and garment factories surveyed in this study asserted power supply and/or constant power cut as a major setback in the industry.

Table 4.2.2.4 Frequency distribution of infrastructure problems

Infrastructure Problem		N	Percent
	Power supply	9	32.1%
	Road to ports	4	14.3%
	Port facility	4	14.3%
	Water supply	5	17.9%
	Telecommunication and Internet	6	21.4%
Total		28	100.0%

(Source: Questionnaire)

That is 32.1% of the respondents replied power supply/constant power cut is one of the problems related to infrastructure problem. 14.3% road to ports is a problem as well. Even if small portion of the respondents say road to port is a problem its severity differs from location to location. For example in a study made Clara Alderin (2014), Human Resources manager of Maa Garment located in Mekele, northern part of Ethiopia, Ato Zemen Mamo explicitly explained “transportation from MAA factory to Djibouti takes three days by truck, however, if the new railway system to be built is commissioned it will only take half a day.” So, road to ports is a challenge to satisfy customers with timely delivery.

Even if water supply is a problem, compared to other factors, only 17.9% of the respondents responded it as a problem. Information communication technology the major mechanism the textile and garment companies to search liaise and work with customers offering their products to the global market. 21.4% the surveyed companies responded that, the telecom sector being monopolized and most of the network installations services are provided by the Chinese companies, we are always affected by poor telephone lines, weak to constant cuts of internet

facility; which is affecting our operation and the satisfaction rate of our customers regarding ease and prompt communication with them.

4.2.5 General issues related to firms production, distribution and marketing

The overall business strategy of companies in the textile and garment sector and of any other companies is sure to differentiate their profitability as well as competitiveness in the local and global market. In this part of the analysis, companies were asked to identify factors affecting output product demand in the global market and what their mechanisms are to determine quality and become competitive with the global competitors.

Table 4.2.5.1 Frequency distribution of factors affecting product demand in the global market

Factors Affecting Product Demand in the Global Market	N	Percent
Quality level of the output product	2	8.0%
Innovativeness and usage of technology	3	12.0%
Logistics handling	2	8.0%
Production capacity	6	24.0%
Lack of proper advertising and marketing	2	8.0%
Overall management strategy	4	16.0%
The experience and skill level of labor force	6	24.0%

(Source: Questionnaire)

As the above table indicates, 24% of the respondents believe having experienced and skilled labor force is affecting the demand level of products, another 24% claim production capacity issue of our company is affecting our products demand because most global purchasers quantity requirements is higher than the daily production capacity of our company hence losing customers affecting future demands. The other 16% on the other hand believe, lack or improper overall management strategy is contributing to our products demand in the global market. Logistics

handling and lack of proper advertising and overall marketing strategy is answered as a key factor that is adding to the demand of their products.

Following the implementation of the industrial development strategy, Ethiopian Textile Development Institute is established in 2010. ETDI is a government owned institute which has an overall responsibility of the development of textile and garment sector in Ethiopia. The institute has the vision to enable textile and garment industry become competitive in the global market and bring about rapid development in the sector. With this in mind, the surveyed companies were asked to rate the institute's involvement/support in their overall performance especially in the global market.

Table 4.2.5.2 Frequency distribution of ETIDI involvement/support

ETIDI level of Involvement	Frequency	Percent
Not at all involved	1	8.3%
Involved to some degree	2	16.7%
Missing	1	8.3%
Very much involved	8	66.7%

(Source: Questionnaire)

The result shows that 66.7% responded the institute to be very much involved, 16.7% responded involved to some degree and 8.3% not at all involved. The percentage composition indicates the institute's hands on support to the majority of the companies. A study made by Clara Alderin (2014) also support this finding stating the institute supports companies on quality assurance and certifications, facilitate tax free imports and loans for significant expansions and new technologies and coordinates tax free exports hence trying to solve major challenges influencing competitiveness.

Overall government issues contributing to the challenges of competitiveness were also asked for the surveyed firms. The table below summarizes major concerns as indicated by respondents.

Table 4.2.5.3 Frequency distribution of issues related with the government

Issues related to Government	Percent
Legislation and bureaucratic operation	26.7%
Lack or scarcity of foreign exchange	13.3%
Tax and customs issue	40%
Lack of commitment and understanding of other service providing government organizations	20%

(Source: Questionnaire)

Respondents claim that, even if tax incentive schemes are in place to support exports of the sector, there are still tax issues especially while importing locally unavailable inputs coupled with delayed customs clearance, according to the 40% of respondents. The other 26.7% blame confusing legislations with varying implementation from time to time and from sector to sector is affecting and frustrating their performance. 20% of them complained a lot about other government institutions which are tied up with their operation as an obstacle to the productivity of the sector. Because heavy infrastructure projects the government is financing, 13.3% of respondents criticize lack and/or shortage of foreign exchange is causing delays with payments to their clients while purchasing inputs with potential damage with their clients. However, since they are serving the export market as well, the foreign exchange issue is not as such exaggerated.

4.2.6 Comparison of each factors mean

Table 4.2.6.1 Means and standard deviation of major competitiveness issues

Major factors affecting competitiveness	Mean	Std. Deviation
Inputs	.5263	.20786
Labor	.3421	.21205
Finance	.2895	.10078
Infrastructure	.5368	.34203

(Source: Questionnaire)

When we look at the means of each factor from the table above which inputs with mean 0.526 is the second highest score next to infrastructure which is 0.539. This indicates that, infrastructure and inputs are the far most problems at the moment for the surveyed companies. Labor with 0.342 mean is in the third place with its impact and finally finance. Looking at the standard deviations scores, even if the mean value of infrastructure is high i.e. 0.5368, the standard deviation is also the highest, which indicates wider variations in the type of infrastructure problem. For example, the majority of the respondents explained power supply and/or constant power cuts as major problem of infrastructure while few concentrate on water only and the rest on roads to ports facility. The standard deviation of finance indicates that, even if its not indicated as number one problem by the surveyed companies, the SD from the mean points, their issues around finance are pretty much the same.

4.3 Porter's Diamond Model

In the literature review part of this study, the Diamond Model of Michael Porter was discussed. The central concept of the model describes the competitive advantage of nations offers a model that can help understand the competitive position of a nation in global competition. In this model, relationship between *factor conditions*, *demand conditions*, *related and supporting industries*, *firm's structure, rivalry and strategy* and *government* are analyzed.

In this study respondents were asked to give evaluation to each sub-components of the diamond model categories from 1-5 based on the strength of effects on competitiveness.

5= Affect very strongly

4= Affect strongly

3= Average effect

2= Limited/low effect

1= No effect at all

Factor conditions: are general factors such as access to labor, education/skill, capital, raw material and infrastructure. These factors are mainly not made by nature, but created by

individuals and some are unique to locations. Dickens (2011) described factor conditions as the levels of skills and knowledge of the country's population and the provision of sophisticated physical infrastructure, including transport and communications.

Factor conditions sub-components ranked based on their strength of effect on competitiveness include;

- Labor force resource availability
- Skilled labor force availability
- Physical infrastructure
- Natural resources availability
- Access to capital or finance
- Technological infrastructure
- Raw material availability

Table 4.3.1 Frequency distribution of factor conditions effect on competitiveness

Factor Conditions	Affect Very strongly	affect strongly	Average Effect	limited/low effect	no effect at all
	5	4	3	2	1
Skilled labor force availability	58.30%	33.30%	0%	0%	8.30%
Labor force availability	41.70%	8.30%	25%	25%	0%
Physical infrastructure	25%	50%	8.30%	0%	16.70%
Technology infrastructure	41.70%	25%	25%	0%	8.30%
Natural raw material availability	33.30%	8.30%	8.30%	16.70%	33.30%
Access to capital	50%	33.30%	0%	0%	16.70%
Averages	41.67%	26.37%	11%	7%	13.88%

(Source: Questionnaire)

According to the model, factor conditions create comparative advantage for competitiveness within and outside the nation. To that end, on average 41.6% of the respondents agree the effect

of factor conditions listed above has very strong effect, 26.37% believe the effect is strong, 11% claim average effect, 7% limited or low effect, the rest 13.88% judge, compared to other issues, the effect doesn't exist. Table 4.3.1 and Figure 4.3.1 summarizes the responses.

Demand conditions: The second category of diamond model describes, companies that have local customers who place challenging requirements, have the greatest chance to achieve international competitiveness. These so-called “sophisticated clients” formulate strict demands on the quality of products and therefore force the companies to improve their products. That is, the more demanding the customer in an economy, the greater the pressure facing firms to constantly improve their competitiveness via innovative products through high quality.

Demand conditions sub-components ranked based on their strength of effect on competitiveness include;

- Level of local market demand
- Quality level demanded both in local and foreign market
- Home market's core product design and/or feature requirement
- Characteristics of end users

Table 4.3.2 Demand conditions effect on competitiveness

Demand Conditions	Affect Very strongly	affect strongly	Average Effect	limited/low effect	no effect at all
	5	4	3	2	1
Level of local market demand	16.70%	16.70%	16.70%	25%	25.00%
Quality level demanded in the local market	58.35%	25.00%	8.30%	0%	8.30%
Home markets product design/features	16.70%	33%	8.30%	16.70%	25.00%
Characteristics of end users	50.00%	0.00%	16.70%	16.70%	16.70%
Averages	35.44%	18.75%	12.50%	15%	18.75%

(Source: Questionnaire)

On average, 35.44% agree very strongly the effect of demand conditions listed above. 18.7% claim the effect is strong, 12.50% claim average effect, 15% say the effect is limited to their

company, the remaining, 18.75% state no effect at all giving more weight to other issues. Table 4.3.2 summarizes the above mentioned responses.

In these responses the majority of the respondents are in greatest agreement on local market demand pressures challenges them to be more creative which in turn pushes them to produce even better products to the global market.

Related and supporting Industries: Third category of diamond state that related activities such as suppliers and companies in related businesses in the local environment. The existence of competitive sophisticated suppliers can contribute to innovation and upgrading of new services.

Sub-components ranked for related and supporting Industries based on their strength of effect on competitiveness include;

- Inputs from suppliers
- Service level of suppliers
- The development level of suppliers
- Technology use and innovativeness of suppliers
- Technical and marketing coordination with suppliers

Table 4.3.3 Related and supporting industries effect on competitiveness

Related and Supporting industries	Affect Very strongly	affect strongly	Average Effect	limited/low effect	no effect at all
	5	4	3	2	1
Inputs from suppliers	50.00%	33.30%	8.30%	8.30%	0.00%
Service level of suppliers	8.30%	33.30%	50.00%	8.30%	0.00%
The development level of suppliers	25.00%	33%	25.00%	0.00%	16.70%
Technology use and innovativeness of suppliers	25.00%	33.00%	25.00%	8.30%	8.30%
Technical and marketing coordination with suppliers	25.00%	33.30%	16.70%	16.70%	8.30%
Average	26.66%	33.23%	25.00%	8.32%	6.66%

(Source: Questionnaire)

Related and supporting industries effect on competitiveness was represented with five statements. Respondents average rank to the strength of each statements effect are, 26.6% strongly agree, 33.23% agree, 25% agree on average effect, 8.3% stress limited effect and the rest 6.6% don't believe related and supporting industries have no effect in their competitiveness level at all.

This shows that textile and garment companies are affected by inputs, technical and marketing coordination plus the development level of related industries and/or companies in the competitiveness of output products of the textile and garment firms.

Firms' structure and rivalry: This fourth category of diamond model describes local competitors in the same or related businesses tend to stimulate development.

The sub-components of this category are:

- Managerial skill of management
- Type of production equipment used
- The level of value added
- The strength of competition between firms in the textile industry

Table 4.3.4 Firms structure and rivalry effect on competitiveness

Firms structure and rivalry	Affect Very strongly	affect strongly	Average Effect	limited/low effect	no effect at all
	5	4	3	2	1
Managerial skill of management	41.70%	50.00%	0.00%	0.00%	8.30%
Type of production equipment used	58.30%	25.00%	8.30%	0.00%	8.30%
The level of value added	50.00%	8%	16.70%	0.00%	25.00%
The strength of competition between firms in the textile industry	33.30%	33.30%	16.70%	0.00%	16.70%
Average	45.83%	29.15%	10.43%	0.00%	14.58%

(Source: Questionnaire)

Michael Porter explained competition among firms in the local market instigates dynamic situations which impels firms to work for increased productivity and innovativeness which in

turn makes them better competitors in the international market. The information presented in table 4.3.4 give details of the surveyed companies response on this subject. That is, 45.8% indicates average responses of those who strongly agree that firms structure and rivalry can push them to be better competitors in the global market, 29.15% also agree on this statement and the 1043% argue the effect is average while 14.58% say they haven't witnessed any effect on this area.

Even if the Ethiopian manufacturing industry is still at infant stage and companies are too young to feel firms structure and rivalry effect on their competitiveness of their products, the majority of their responses i.e. 45.8% indicates that, if the textile and garment industry development keeps the pace of growth it has now, in the coming 10-15 years, companies will definitely feel the impact of competition among themselves makes them better in the global market.

Government: The role of government in this Porter's model is, "acting as a catalyst and challenger; it is to encourage-or even push-companies to raise their aspirations and move to higher levels of competitiveness performance.

Selected sub-components for the survey in government category are;

- Government's infrastructure development process
- Policy and development of supporting institutions

Table 4.3.5 Government's effect on competitiveness

Government	Affect Very strongly	affect strongly	Average Effect	limited/low effect	no effect at all
	5	4	3	2	1
Government's infrastructure development process	58.30%	25.00%	8.30%	0.00%	8.30%
Policy and development of supporting institutions	58.30%	25.00%	8.30%	0.00%	8.30%
Average	58.30%	25.00%	8.30%	0.00%	8.30%

(Source: Questionnaire)

Supporting infrastructures growth, government's commitment towards its development coupled with sound policies and strategies, and better equipped national implementing institutions play a leading role for becoming better competitor in the local as well as global market. Insights from the surveyed respondents also back this statement of the diamond model. 58.3% strongly agree very strongly that government plays a leading role in the industry development as a result becoming better competitors in the global market, 25% also agree strongly with 8.3% claiming no effect at all.

The responses clearly indicate that government is at the heart of the industry development and of their competitive strength.

Chapter Five: Conclusion and Recommendation

5.1 Summary of Findings and Conclusion

The primary purpose of this study is to investigate the challenges textile and garment industries face affecting their competitiveness in the global market. The study tried to examine textile and garment companies from central, northern, southern and eastern part of Ethiopia with ten years and more experience in the industry coupled with international trading experience. Several previous studies made in this area identified variables such as inputs, finance, infrastructure, and labor and company's overall strategy as major constraints affecting the companies in this industry. This study also took these basic variables as core area of focus to learn about their challenges and new dimensions that might have emerged. In addition, elements from Michael Porter's diamond model were ranked by the surveyed companies to determine their strength of effect and how they are challenging companies' competitiveness in the global market.

The data found from the surveyed companies regarding each identified variables indicates that;

Inputs: Majority of respondents stated that, local and international suppliers are their sources, still indicates heavy dependency on imports. In addition, using these sources of inputs comes with different problems. Importing inputs tags with it; high cost, bureaucracy and inexperienced customs personnel with delay in customs clearance and foreign exchange shortage got more emphasis. While using local sources for inputs, in inferior quality with sometimes high cost compared to imports, unreliability of suppliers, and fluctuation of availability from time to time topped the list of problems. Having these problems in mind, respondents were asked to state their level of agreement whether issues related with inputs have impact on their products demand in the global market and of their competitiveness. The majority are in strong agreement with inputs impact on demand and of competitiveness.

Labor: Given the large pool of labor force Ethiopia has, one of the textile and garment industry's complaint is labor. i.e skilled labor. The result of this study concerning labor problem is related with previous findings. The respondents emphasized, the market doesn't have enough skilled labor force in which has to train before hiring, causing the firms to classify employees

trained to use different machines as skilled labor showing the percentage of skilled labor as high. But generally, the overall labor force lack productivity, motivation, technical skill experience and their production efficiency is so low, challenging the companies to meet timely deliveries with the necessary quality. And this as respondent said, highly reflects on government's commitment cultivating skilled human resources for the sector.

Finance: Expansion, usage of innovative technologies, acquiring the best skilled labor, all require finance. These study found out that, a large amount surveyed companies use own fund and domestic loan to finance their operations. There is an export guarantee scheme in place by the government to support companies in the export sector to import important machineries and inputs to enable them become better competitors in the global market. However, due to lack knowledge, experience, timely delivery service and efficient monitoring and evaluation process of this plan, majority of the respondents the advantage of this plan's exploitation is minimal. Thus, finance still remains a bottleneck for competitiveness since the overall local financial market isn't a position to fully support the growth of the industry.

Infrastructure; Physical infrastructures; power supply, water supply, roads to port, access to ports, telecommunication and internet are significant subjects for the companies with the majority complaining about power supply and/or constant power cuts with poor telecommunication and internet services adding to it. Water supply is a problem especially for the companies located in the central part of Ethiopia. Others explained they have devised a mechanism to make use of the rivers around their factory. Hence, this study affirms that, though improving from year to year, physical infrastructure still remains a challenge for the companies' performance in the global market.

General issues related to firms production, distribution and marketing: Achieving sustainable competitive advantage is not only tied to availability of inputs, labor, infrastructure and finance. The companies has to have a sound strategy in place to make use of all these and satisfy the "wants" of their customers especially in the global market where so many competitors exist.

That is, every aspect of the strategy the firm employs on managing skilled labor, the innovativeness, logistics, its advertising and marketing, quality of products, adjusting production capacities, all reflect on the company's strategy.

Respondents showed that, quality of their products, their innovativeness, logistics handling, advertising and marketing efforts, skill and experience level of their employees affects their products demand in the global market and their competitiveness in general. The majority indicated firm's production capacity, experience level of employees with innovativeness and usage of technology having major impact.

5.2 Recommendations

Based on the findings of the study and the conclusions made, the following possible solutions and/or recommendations are forwarded;

- Import substitution of all imported inputs for the sector is not a feasible in the near future; however, minimizing dependency especially in dye materials and other chemicals is possible if the government lead the investment in these areas through opening manufacturing plants and attracting and initiating domestic as well as foreign investors. This should alleviate, high cost problems and foreign exchange issues tied up to imports. On the other hand, the government should tighten up its quality control and build capacity of producers for locally available inputs, by working with all members of the supply chain to improve the competitiveness of the industry in the global market.
- Because the abundant labor force is a comparative advantage to Ethiopia, industry members and government should work together to create skilled labor force pool. Open more and more vocational training schools, colleges and universities that support the sector, work on encouraging and incentivizing students to enroll. The textile and garment companies also need to review their pay systems, provide frequent trainings not only in specific skill development, but also in leadership, team building and personal development motivation issues.
- Regarding physical infrastructure; even if it still persists to be a problem, currently there are mega, hydropower and rail way projects which are assumed to minimize the problems with the expansion of the manufacturing pace in the country which the companies should wait patiently. However, the constant power cuts needs to be properly managed by the relevant authority as its damaging very expensive machineries that work with electricity and also the telecom sector needs to be paid attention to by the government as the companies has to network with their suppliers, buyers and other stakeholders in the global market.
- Since companies need to benchmark themselves, computerize their designs, use innovative machineries and invest in production technologies, the finance should properly implement financial incentives in place, rethink/change the process of taking the overall facility as collateral and reduce interest rates, allow international financial

institutions to share their experiences through trainings for key areas of the financial sector.

- Developing the capacity of supporting institutions, like for example, Ethiopian Textile Development Institutes, improve bureaucratic and corrupt services especially those around customs
- Companies themselves, need to work on improving the management of their available human resource, exercise motivation and leadership, by understand the tough nature of the work in the sector, tweak their advertising and marketing strategies regularly

5.3 Limitations and directions for future study

The intentional focus of this study was to get highlights of what competitiveness challenges are for the Ethiopian textile and garment companies in the global market by taking four major issues which has been mentioned in previous studies. As this study is a onetime focus on generally selected recurring variables, studying each variable by itself can generate overlooked issues within themselves. In addition, governments policy and implementation problems for this specific sector, for example, issues related with the export guarantee fund scheme, involvement and implementation of policies and procedures of Development Bank of Ethiopian and Ethiopian Textile Development Institute can open interesting dialogue and the firms would have a lot to say.

This study only took textile and garment companies. Transferability of the study findings could further be strengthened if the relevant government organizations and foreign users/purchasers of the export products were interviewed. Furthermore, the survey designed took lots of multiple responses and open ended questions, that created a theme of telling, but a future study using likert scale type of questionnaire data, which will allow calculating strengths of correlations, combined with interview methods will allow for in-depth understanding and perspective of the subject.

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ANNEXIES

Annex I

ADDIS ABABA UNIVESITY SCHOOL OF COMMERCE

Questionnaire on the Global Competitiveness Challenges of Ethiopian Textile and Garment Industry

Instruction: Please make a tick mark (✓) or write where appropriate.

PART I

Respondents Profile

1. Name of the Company_____
2. Contact information
Region_____
- P.O. Box_____
- Telephone_____
- Email_____
3. Ownership of the company
☐ Public/government
☐ Wholly domestic private
☐ Wholly foreign private
☐ Joint venture
☐ Other, please specify
4. Amount of operating capita in
Birr/USD_____
5. The number of employees of your company_____
6. Main items produced by the company

7. Who are the main domestic target market segments?

- ☐ Military or other government institutions
 - ☐ Students
 - ☐ Factory workers
 - ☐ Hospitals
 - ☐ Other household consumers
8. What is the company's main area of operation? Can tick more than one box.
- ☐ Ginning
 - ☐ Spinning
 - ☐ Weaving and/or knitting
 - ☐ Dyeing and printing
 - ☐ Blanket factory
 - ☐ Garment factory(woven/knitted)
 - ☐ Integrated
9. What is the production capacity of your firm annually or per day? In kg, meters, tons, pieces_____
10. Does your company export using one of the preferential market accesses?
- ☐ Yes
 - ☐ No
12. If the answer to the above question is "yes", which preferential market access your company use?
- ☐ EBB
 - ☐ AGOA
 - ☐ COMESA
13. Where are the main export destination markets for your outputs?
- ☐ Europe, please specify?
 - ☐ US
 - ☐ Africa, please specify?
 - ☐ Asia, please specify?
 - ☐ Latin America. Please specify
 - ☐ All

14. Who are the main competitors of your company in the global market?

- ☐ Asian companies
- ☐ Other African companies
- ☐ European companies
- ☐ Latin America companies
- ☐ Others. Please specify

15. Is the company's capacity utilized fully i.e. 100%? Yes ☐ No ☐

16. If the answer to the above question is No, on average, what percent of the company's capacity is utilized? _____

17. What are the reasons for under utilizations of the capacity of the organization?

- ☐ Raw materials/input shortage
- ☐ Lack of market, domestically or globally
- ☐ Working capital shortage
- ☐ Problems with government policies and/or strategies
- ☐ Others, Please specify _____

18. What is the company's profitability status?

- ☐ Profitable
- ☐ At loss
- ☐ Break even
- ☐ Indifferent

PART II: Questionnaire on selected issues

Please write and/or make a tick mark() where appropriate

This part of the questionnaire will try to find out factors affecting competitiveness of the textile and garment factories particularly in the global market and/or it's generally their export performances. There are factors identified as problems in the sector for poor performance in

different literatures and taken as weighing down on the competitiveness of the sector. These identified factors are presented as alternatives, on rating scales and as open ended questions.

Inputs

1. What are the major inputs that are used for the production of the firm's outputs?

2. What is the source of these inputs?

- ☐ Imported from abroad
- ☐ Available in the domestic market
- ☐ Both

3. If the inputs used for the production of the firms outputs are imported from abroad, how is their cost rated?

- ☐ Expensive
- ☐ Very expensive
- ☐ Moderate
- ☐ Less expensive

4. Are there problems with imported inputs?

- ☐ Yes
- ☐ No

5. If the answer to the above question is "yes", what are the problems related to importing inputs?

- ☐ High cost
- ☐ Reliability on foreign suppliers is problematic
- ☐ Minimum order size requirements
- ☐ Delay in clearing the goods
- ☐ Lack of foreign exchange

- ☐ Other, please specify_____
6. If all/partial of the inputs are available in the domestic market, what is the problem with them?
- ☐ Inferior quality
- ☐ Problem with reliability
- ☐ High cost compared to imported
- ☐ Problem with availability
- ☐ Other, please specify_____
7. Cotton is the basic raw material for textile and garment companies. What is the source of cotton for your company's products?
- ☐ Local production
- ☐ Import
- ☐ Not assigned
- 8 If the source of cotton consumption for your company is local, what grade of quality are you using to produce for the export market?
- ☐ Grade A
- ☐ Grade B
- ☐ Other
- 9 is there a problem with the local cotton production that affects the quality standards of your products for the export/global market?
- ☐ Yes
- ☐ No
- 10 If "yes" please specify the problem?_____
- _____
- 11 How can you rate the demand for you products in the global market
- ☐ Increasing
- ☐ Decreasing
- ☐ Indifferent
- ☐ Lower

- ☐ Average
- 12 How is inputs related to the sales of your company related or how do you see issues related with inputs affecting the demand for your products in the international market?
- ☐ Availability of the inputs affects satisfying demand
- ☐ Quality of the inputs affected negatively the demand for the product in the global market
- ☐ Cost of the inputs affected the price of the product in the global market to be not competitive
- 13 There is a strong impact/influence of inputs in the competitiveness or export performance of your company's products
- ☐ Agree
- ☐ Strongly agree
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Undecided
- 14 Do you believe that when forced to use locally produced raw materials, matching quality standards to international market is difficult?
- ☐ Agree
- ☐ Strongly agree
- ☐ Disagree
- ☐ Strongly disagree
- ☐ Undecided

Labor

1. On average how many percent of the employee are skilled?
- ☐ 100%
- ☐ 50%
- ☐ 75%

☐ 25%

2. On average how many percentage of the employees are unskilled?

☐ More than 50%

☐ 25%

☐ Less than 25 %

☐ None

3. Is there difficulty in obtaining skilled labor force in the labor market?

☐ Yes

☐ No

4. If the answer to the above question is “yes”, what are the reasons of difficulty in obtaining skilled labor force?

☐ Low wage

☐ Nature of the job

☐ Scarcity of skilled labor

☐ Inconvenient working place

☐ Other, please specify_____

5. How do you describe the condition of skilled labor force job turnover/instability? Or do the skilled labor force leave the company very often?

☐ To some degree/average

☐ To an important degree

☐ Not at all

☐ Not very often

6. Does your company provide training for the labor force-skilled and unskilled?

☐ Yes

☐ No

7. If “yes” how often is the training given?

- ☐ Every 3 month
- ☐ Every 6 month
- ☐ Yearly
- ☐ Not a definite schedule

8. How are the trainings been delivered?

- ☐ On the job training
- ☐ In-house training by paid professionals
- ☐ Trained in special courses within the country
- ☐ Trained in special courses outside the country
- ☐ Other, please specify_____

9. If your company is fully integrated, Is there a difficulty in obtaining semi-skilled labor force down stream?

- ☐ Yes
- ☐ No

10. If the answer to the above question is “yes”, why is it difficult to get semi-skilled labor force?

11. Are there incentive schemes in place related to good performances?

- ☐ Yes
- ☐ No

12. Have you noticed a relationship between operational efficiency of the labor force (skilled & semi-skilled) with the out puts of the company?

- ☐ Yes
- ☐ No

if yes, please

specify_____

13. What is the major difficulty related to labor force challenging the company, specially its performance in the global market/export market?

- ☐ Lack of skilled labor
- ☐ Under performance/efficiency of the available skilled labor
- ☐ Un-proportional skilled and semi-skilled labor force
- ☐ Other, please

specify_____

Finance

1. What is the company's source of finance working capital?

- ☐ Own fund
- ☐ Foreign loan
- ☐ Domestic loan
- ☐ Credit from supplier
- ☐ Government fund(export guarantee scheme)
- ☐ Other, please

specify_____

2. How is the status of foreign exchange?

- ☐ Easy access
- ☐ Difficult
- ☐ Varies from time to time
- ☐ Not assigned

3. How are the company's expansion and/or modernization financed?

- ☐ Loan from the government

- ☐ Domestic loan
- ☐ Foreign loan
- ☐ Government fund
- ☐ Other, please specify_____

4. Is working capital finance or fixed assets finance a problem for the company?

- ☐ Yes
- ☐ No

5. Is access to finance for expansion, modernization and/or other operations of the company related to competitiveness in the export market?

- ☐ Related
- ☐ Strongly related
- ☐ Unrelated
- ☐ Weakly related
- ☐ Not at all related

Infrastructure

1. What problems does the company have related to infrastructure?

- ☐ Power Supply
- ☐ Constant power cuts
- ☐ Roads to ports
- ☐ Port facility
- ☐ Water supply
- ☐ Telecommunications and internet
- ☐ All of the above mentioned

h. Please select from the list above_____

2. How does your firm communicate with the buyer and/or supplier in the foreign market?

- ☐ Telephone
- ☐ Post
- ☐ Email
- ☐ Fax

3. Has your company experienced problems with orders from buyers and/or suppliers of inputs related to infrastructure (power, transport, telecommunication, etc) ?

- ☐ Yes
- ☐ No

4. Has lack of one of the above mentioned infrastructures been a problem for your company's competitiveness issue in the global market?

- ☐ Yes
- ☐ No

5. If yes, how does your company tried to solve the problem?

General issues of firms production, distribution and marketing strategy

1. How does the firm search market for its products in the global market?

- ☐ By contacting brand level companies for order
- ☐ By contacting retailers in the foreign market
- ☐ By attending exhibitions and trade shows in the foreign market
- ☐ Other, Specify_____

2. What are the main factors affecting the firms demand in the global market?

- ☐ Quality of output
- ☐ Issues related with innovativeness and usage of technology
- ☐ Issues related with logistics/order handling in a timely manner
- ☐ Production capacity of the firm
- ☐ Lack of proper advertising and marketing
- ☐ Other, please specify_____

3. What are the factors contributed to the competitiveness of your company's products in the global market so far?

- ☐ Using advanced technology and innovative processes
- ☐ Overall good management and strategy
- ☐ Having improved skilled labor
- ☐ Proper handling of all the logistical requirements

☐ Other, please specify_____

4. What mechanisms your firm uses to determine the quality of its products?

☐ Standard and Quality Authority Accreditations

☐ Matching market requirements and measurements

☐ Skill level of the workers

☐ Availability of finance to deploy innovative technology

☐ Other please specify_____

5. If your company is a foreign investment, what are the main challenges to competitiveness' in the global market to your products?

☐ Lack of skilled labor in the market

☐ timely delivery of the required inputs

☐ Over all political and social environment

☐ Access to foreign exchange

☐ Lack of proper investment incentive by the government

☐ Competitiveness of suppliers of inputs

☐ Other, please specify

☐ The entire above mentioned are challenges

6. What is the firms strategy to improve and maintain quality of its products?

☐ Training workers for product quality assurance

☐ Using up to date innovation and technology in advancement according to the industry advancement

☐ Monitoring and working with suppliers for quality inputs

☐ Working together and maintaining good relationship with the buyers and understanding their needs

☐ Other, please specify

7. Ethiopian Textile Development Institute support and involvement to improve competitiveness with your company is?

☐ Very much involved

☐ Involved to some degree

☐

Not at all involved

☐ Other, please specify

8. What are the main issues with the government affecting the competitiveness of your products for export market?

- ☐ Issues related to legislation, bureaucracy and control
- ☐ Lack or delay of providing foreign exchange
- ☐ Lack of commitment from government to support companies in the industry
- ☐ Tax and customs issue
- ☐ Other, please specify|_____

9. Do you believe, lack of competition in the local market affects in producing competitive products in the international market?

- ☐ Yes
- ☐ No

10. What are the major problems of your company in becoming competitive in the export market?

- ☐ High cost of inputs
- ☐ Transportation problems, being far from ports
- ☐ Lack of finance to introduce new technologies
- ☐ Lack of skilled labor in the sector
- ☐ Infrastructure
- ☐ Problems related to Suppliers
- ☐ Lack of experience, know how and exposure in the international market
- ☐ Other please specify_____

11. What are the plans to improve competitiveness of your products in the export market?

- ☐ Improve network with suppliers
- ☐ Acquire knowledge and skills through training for the employees

- ☐ Computerize design, management, advertising and promotion related activities
- ☐ All are included in the plan
- ☐ Other, please

specify_____

PART THREE: Questionnaire on factors affecting competitiveness according to Porter's Diamond Model.

According to Porter's diamond model, the characteristics of the 'home base' play a central role in explaining the international competitiveness of the firm – the explaining elements of these characteristics consist of ; factor conditions, demand conditions, related and supporting industries, firm strategy – structure and rivalry, chance and government.

Please give an evaluation 1-5 to each factors listed and the six categories of porter's diamond model affecting the competitiveness of your company's products in the export market.

5- Affect very strongly

4- Affect strongly

3- Average effect

2- Limited/low effect

1- No effect at all

FACTOR CONDITIONS (Please rank them in accordance to the instruction given above).

- ☐ Labor force resource availability-----
- ☐ Skilled labor force availability-----
- ☐ Physical infrastructure (transport, etc) -----
- ☐ Natural resources availability-----
- ☐ Access to capital or finance-----
- ☐ Technological infrastructure (communication, network. Etc) -----
- ☐ Raw material availability-----

DEMAND CONDITIONS (Please rank them in accordance to the instruction given above)

- ☐ Level of local market demand-----
- ☐ Quality level demanded both in local and foreign market-----
- ☐ Home market's core product design and/or feature requirement-----
- ☐ Characteristics of end users-----

RELATED AND SUPPORTING INDUSTRIES (Please rank them in accordance to the instruction given above)

- ☐ Inputs from suppliers-----
- ☐ Service level of suppliers-----
- ☐ The development level of suppliers-----
- ☐ Technology use and innovativeness of suppliers-----
- ☐ Technical and marketing coordination with suppliers-----

FIRM STRUCTURE RIVALRY AND STRATEGY (Please rank them in accordance to the instruction given above).

- ☐ Managerial skill of management-----
- ☐ Type of production equipment used-----
- ☐ The level of value added-----
- ☐ The strength of competition between firms in the textile industry-----

GOVERNMENT (Please rank them in accordance to the instruction given above)

- ☐ Government's infrastructure development process-----
- ☐ Policy and development of supporting institutions-----

-----**THANK YOU**-----

