Determinants of Roasted and Ground Coffee Export Performance in Ethiopia

A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration, Specialization in Management

By

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Declaration

I, Tiruzer Seifu Maru, hereby declare that the thesis entitled **"Determinants of Roasted and Ground Coffee Export Performance in Ethiopia"** is my own original work and has not been submitted for any degree or other qualification in any other University. It is offered for the award of the Degree of Master of Business Administration in Management stream from Addis Ababa University.

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Statement of Certification

This is to certify that the thesis prepared by Tiruzer Seifu Maru entitled: **"Determinants of Roasted and Ground Coffee Export Performance in Ethiopia"** and submitted in partial fulfillment of the requirements for the degree of Master of Business Administration Specialization in Management complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

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Chair of MBA Department Coordinator

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Table of Contents

List of Tables

List of Figures

Acronyms

DW – Durbin Watson

ECTA – Ethiopian Coffee and Tea Authority

ECX – Ethiopian Commodity Exchange

GAIN – Global Agricultural Information Network

IBV – Institutional Based View

KMO - Kaiser-Meyer-Olkin

NBE – National Bank of Ethiopia

RBV – Resource Based View

SME – Small and Medium Enterprise

SPSS – Statistical Package for Social Science

SWOT – Strength Weakness Opportunity Treat

USD – United States Dollar

VIF – Variance Inflation Factor

WB – World Bank

Abstract

Studying about determinants of export performance is one interesting area of researches in business management studies everywhere in the world. Although some related researches have been conducted in the case of Ethiopian coffee export performance, I could not found researches that are related to the roasted coffee export performance. This research, thus, aims to address this gap by studying the determinants of roasted and ground coffee export performance in Ethiopia. The factors that are assumed to determine export performance were extracted from various prior researches as internal and external factors. These factors mainly discussed in prior researches based on the resource based view (RBV) and institutional based view (IBV) as internal and external factors in their respective order. Both the internal and external factors consist three composite variables as explanatory variables. The study tries to analyze the relationship of the determinant factors and export performance by taking data from 54 firms out the total 67 actively working firms. A multivariate regression analysis has been conducted to investigate the relationship of the independent and dependent variables in model 1 and moderated by the years of export experience in model 2. From the analysis it is found that in model 1 firm characteristics from the internal factors and domestic market characteristics from the external factors found to have a significant positive relationship with export performance of the firms. In model 2, where the analysis is moderated by export experience of the firms, it is found that the moderator variable found to be significant in determining the export performance and domestic market characteristics remains significant determinant of export performance of firms. The other variables found to be insignificant in determining export performance of firms in roasted and ground coffee export industry of Ethiopia.

Key Terms

Determinant factors, roasted coffee, export performance, Ethiopia

Chapter One – Introduction

1.1 Background of the Study

The intensified globalization and global competition has led to an increasing number of firms seeking for opportunities in the international market to achieve their business goals and for their survival. Export of goods therefore is the most popular mode of entering the international market (Leonidou, Katsikeas, & Samiee, 2002).

Reviews showed that for about the past three decades studying export performance has gained ample recognition around the world. But the researches have given much of their emphasis on the USA, and other European countries export performance. Asia, South and Central America, Caribbean and African countries have received little or no attention in this regard (Sousa, Martínez-López & Coelho, 2008).

Export is one way of entering the international market. In the fast moving liberalization, privatization and globalization, it is important for firms to exploit opportunities and tap not only national markets, but also international markets (Agnihotri & Bhattacharya, 2015). Exports in such a case provide a quick platform for entering into the international markets.

In rational thinking countries export shows their production surplus and competitive advantage. Ethiopia is the birthplace and the largest producer of Arabica coffee. It is ranked the fifth largest coffee producer in the world next to Brazil, Vietnam, Colombia, and Indonesia by contributing about 7 to 10% of total world coffee production. In 2022 it has become the world's third largest grower of Arabica coffee and the biggest producer overall Africa (Ethiopia Coffee Annual, 2022). Coffee is the most important item to the Ethiopian economy with about 15 million peoples has been directly or indirectly deriving their livelihoods from coffee product (Asfaw, 2018).

Recent publications showed that in 2021/22 Ethiopian coffee exports reached to 489,000 metric ton, it was 456,000 metric ton in 2020/21. By 2022/23 export season it is expected to reach 495,000 metric ton, making it the most important African coffee exporter. Coffee is the major export item for the country, in the export season 2020/21 coffee export accounted for about 32% of the value of all exports and 35% of agricultural exports (Ethiopia Coffee Annual, 2022).

How we export: As we have seen from the data, Ethiopia exported an increased volume of coffee to the international market. However, the revenue generated from this large volume of coffee exports has not increased significantly as a result of fluctuating international market coffee prices (Asfaw, 2018). The retail price of standard coffee in Addis Ababa during the year 2020 and 2021 was around 3.5 to 4.5 USD, whereas as to the international coffee organization, Arabica coffee price ranges between 2.2 to 2.8 USD (Ethiopia Coffee Annual, 2021). The export price is by far less than the local price. Considering this lower retail price of high graded coffee (mostly with lost value) in the international market by coffee exporters in search of hard currency to their imports, the Ethiopian Coffee and Tea Authority coordinated with the National Bank of Ethiopia drafted a directive to set a minimum export price for coffee which compares the local price and the international market price (Ethiopia Coffee Annual, 2022).

According to the Global Agricultural Information Network annual coffee report of Ethiopia by 2021/2022 the total export value of Ethiopia was 3.41 billion US dollars. Out of which agricultural exports account 3.16 (93%) of the total export. Coffee export contributes $ 1.1 billion dollars which accounts 35% of the agricultural export and 32% of the total export. Though the value in actual terms increases, its percentage share decrease from the previous year share of 42%. In the World Bank's report of list of countries by export of goods and services, Ethiopia positioned 131, 129, and 101 in 2018, 2020 and 2021 respectively in terms of value of export.

The question therefore, should be why Ethiopia has not gained better returns from its export? What factors determined its export performance? As coffee being the major export item of the nation this paper focuses on the coffee industry with special attention of fully processed (roasted and ground) coffee export performance.

1.3 Statement of the Problem

A number of studies on determinants of export performance come up with a wide variation of result. (Shaoming & Simona, 1998; Carlos, Francisco & Filipe, 2008; Jieke, Carlos & Xinming, 2016; Agnihotri & Bhattacharya, 2015). The variation of the results attributed to the theoretical framework (approach) they used with regard to internal and external factors, the method of analysis, the type and size of the industries under study and field of study (geographic coverage).

Divergent results observed regarding the theoretical framework of determinants of export performance (Shaoming & Simona, 1998) which demand further studies to address what caused the differences in conceptual and empirical analysis. Methodological approaches that were used in sampling, data collection, measurement and analysis could also affect the generalizability of findings (Luis, Graça & Chris, 2009) that invite others to work on more comprehensive methodological approaches. Integrating empirical findings with already known theoretical models (Carlos, Francisco J. & Filipe, 2008), integrating two or three international business theories (Jieke, Carlos M.P. & Xinming, 2016) are also areas that pursue intervention.

Though the issue of studying determinants of export performance in various dimensions have got ample attention by researchers much of their focus concentrated on developed countries (Jieke, Carlos & Xinming, 2016; Carlos, Francisco & Filipe, 2008; Luis, Graça & Chris, 2009). The export performance of emerging economies and developing nations have not yet gained sufficient attention (Carlos, Francisco & Filipe, 2008). Scholars suggest that determinants of export performance should be studied focusing on developing countries and multi-country export performance (Jieke, Carlos & Xinming, 2016), focusing on particular sector (Mohamed et al, 2019) to catch up the differentiated behavior of sectors.

Overall, given the records in previous theoretical and empirical literatures researching the determinants of export performance of particular sector in the case of Ethiopia sounds to be a relevant and timely decision. Therefore, by this study I try to examine the determinants of roasted and ground coffee export performance of Ethiopia, which has not yet given a special focus in previous studies.

1.4 Research Question

With due consideration for the defined problem above, the study tries to answer the following basic questions:

1. What are the major determinant factors for the roasted and ground coffee export performance of Ethiopia?
2. To what level of significance the factors affected roasted and ground coffee export performance?
3. How firms export experience moderate the relationship between the determinant factors and export performance of roasted coffee exporters?

1.5 Objective of the Study

1.5.1 General Objective

The core objective of the study is to examine the major and significant factors that determine the performance of roasted and ground coffee export performance of Ethiopia.

1.5.2 Specific Objective

1. To identify the main determinant factors those affect the roasted and ground coffee export performance of Ethiopia.
2. To examine to what level of significance the factors affected the export performance and finally;
3. To explore how firms export experience could affect the relationship between determinant factors and export performance.

1.6 Significance of the Study

The study aims to identify the major determining factors for roasted coffee export performance in Ethiopia. By doing so it tries to uncover the challenges and coping mechanisms. Therefore, based on the findings the importance of this study can be explained in various forms. For one part it helps the industry and its stakeholders in identifying the major determining factors exhibited internally and externally. It also helps policy makers and stakeholders to prioritize their intervention areas in coping the challenges and improving the performance of the sector. The research output also helps interested business people to better understand the determining factors that alter the performance of roasted coffee export as a business decision making survey to engage in the industry. Finally, for researchers who will have interest for further study in related areas it can be used as a ground for review of prior studies. Thus, the study will help firms, policy makers, business people and researchers.

1.7 Scope of the Study

The scope of this study is limited to studying the roasted coffee export performance of Ethiopia. Though the particular sector was selected to examine sector specific determinants of export performance, for the sake of generalizability of findings multi-county analysis, comparison among various industries, and also performance variation regarding the level of production process are recommended by scholars for a more comprehensive research output. But for this study due to economic and time constraints I focused on the case of Ethiopia and the specific industry. Despite the fact that the Ethiopian coffee export sector has a long history and much of

which is attributed to export of raw coffee, this research gives its core attention to roasted and ground coffee export section of the industry.

1.8 Limitations of the Study

The limitation of the study arises from its limited scope. The limited scope can be explained in terms of geographic coverage, the selected specific industry and specific section of the industry. On one part, it only focuses on analyzing the export performance of Ethiopia, no cross border comparison is conducted. Secondly, the study only entertains one specific industry (the coffee export industry) and it does not consider any cross industry performance variation. Finally, it only focuses on the roasted coffee export section of the industry, not on overall coffee export of the country. Therefore, other researchers who may have interest in the issue will focus on the areas that are stated as the limitations of this study.

1.9 Organization of the Study

The paper is organized in five major chapters. Section one covers the introductory part of the study. In this section background of the study, problem statement, research question and objective, significance of the study, scope and limitation have been discussed.

Section two covers review of literatures on the area of study both from theoretical and empirical perspectives. After the review of literatures conceptual framework of the study has been derived and presented. Proposed hypothesis of the study on the relationship of the independent and dependent variables is also discussed in this section.

Section three covers the methodological approaches that are used in the research process. Data source and data collection instrument, sampling technique, measurement of variables, model specification and method of data analysis and interpretation are discussed.

Section four presents findings, data analysis and interpretation of the findings. Finally in section five discussions on findings, conclusions and recommendations of the research have been discussed.

Chapter Two – Review of Related Literature

2.1 Theoretical Literature Review

2.1.1 Resources based paradigm Vs. Contingency paradigm

Regarding determinants of export performance different theoretical views and approaches were discussed by researchers. A review of research literatures conducted on determinants of export performance between 1998 and 2005, by Carlos, Francisco & Filipe (2008) discussed two broad theoretical views; resource based paradigm and contingency paradigm. According to their discussion these two perspectives provide the basis for classifying export determinant factors into internal and external factors. Specifically, resource based paradigm to justify the internal factors and contingency paradigm for external factors.

The resource-based view addresses the central issue of how superior performance can be attained relative to other firms in the same market and suggests that superior performance results from acquiring and exploiting the unique resources of the firm (Carlos, Francisco & Filipe, 2008). Whereas, "*the contingency paradigm suggests that environmental factors influence the firm's strategies and export performance. The theory has its roots in the structure–conduct–performance framework of industrial organization and rests on two premises: one that organizations are dependent on their environments for resources and the other organizations can manage this dependence by developing and maintaining appropriate Strategies*", as the research said. Thus, in the contingency paradigm, exporting is considered a firm's strategic response to the interplay of internal as well as external factors (Robertson & Chetty, 2000; Yeoh & Jeong, 1995).

2.1.2 Resources based view Vs. Institutional based view

A review of research literatures on determinants of export performance between the years 2006 to 2014 by Jieke, Carlos & Xinming (2016) explained that most of the researches integrated the two theoretical views; resource based view (RBV) and Institutional based view (IBV). As discussed in the previous section the RBV justifies the internal determining factors as firm level resources. Whereas, the IBV highlights the institutional forces that influence the export performance of firms. The IBV indicates that the domestic and foreign institutions shape the export strategies and performance as firms should comply with institutional requirements in and out of the home country (Peng et al., 2008). "*Given the abilities and limitations of the two views, by integrating the IBV and RBV the complex and changeable relationship between*

organizations and institutions can be captured and better explanation of export performance of small firms in emerging markets can be obtained" (LiPuma et al., 2013).

2.1.3 Resource based view Vs. Network approach

In a research titled "Internal and External determinants of export: Insight from Algeria" by Haddoud, Nowinski, Jones & Newbery (2019) the theoretical views were discussed in two categories: resource based view and network approach. Here again the resource based view represents the internal capabilities of firms as tangible and intangible resources and the Network approach on the other hand represents the importance of relational resources in shaping firm's internationalization.

In the literature technological resources have been viewed as tangible resource and the managerial capabilities, innovative and marketing resources and capabilities have been viewed as intangible resources that influence export performance of firms. Both the tangible and intangible resources are used to explain the internal factors in a resource based view.

External factors that influence the export performance of firms were also discussed under two categories: local and foreign relational resources by the network approach.

Domestic networks as a local relational capabilities play a positive role in supporting small and medium enterprises (SMEs) internationalization. This may be particularly valid for SMEs in emerging markets (Manolova, Manev, & Gyoshev, 2010; Nowinski & Rialp, 2013) as cited by Haddoud, Nowinski, Jones & Newbery (2019).

The foreign relational capabilities are also discussed as important determinants of export performance for SMEs in emerging markets. "*Foreign networks are particularly useful in creating foreign-market knowledge and increasing export intensity. A close collaboration with importers could be perceived as a source of intelligence and cross-cultural knowledge that provides exporters with a competitive advantage*" (Ling-Yee, 2004; Kim & Hemmert, 2016).

Based on the theoretical approaches applied in the studies, the researchers defined a number of independent, moderating, controlling and dependent variables that they assumed best explains their approach.

Though there are various theoretical views that were used as a single and/or integrated theoretical approaches the most repeatedly used approaches were the once discussed above. For this study I prefer to apply the resource based view (RBV) and institutional based view (IBV). The Internal determinant factors for export performance have been summarized under the RBV

and both the local and foreign external factors that influence the export performance of emerging and developing markets have been addressed under the IBV.

2.2 Empirical Literature Review

So far in the empirical literatures reviewed the determinants of export performance is characterized by a lack of agreement, fragmented, inconsistent and diversity of results (Jieke, Carlos and Xinming, 2016; Carlos, Francisco & Filipe, 2008), limiting theory development and improvement of management practice in the field.

The strategic export model, by Donthu & Kim (1993); fundamental theory, by Holzmuller & Kasper (1991); Louter et al.'s (1991) "An inquiry into successful exporting", Madsen's (1989) "Successful Export Marketing Management: Some Empirical Evidence" contend that all potential determinants, either internal or external, posit direct effect on export performance. Whereas, the industrial organization theory, by Cavusgil & Zou's (1994) explained that export marketing strategy, firm's international competence, and managerial commitment are the key determinants of export performance. On the other hand, Carlos, Francisco and Filipe, (2008) supposed export performance tends to be conditioned by foreign environmental characteristics, legal and political factors and cultural similarity.

Another study focused on marketing strategies as determinants of export performance (strategy-performance relationship) by Leonidou, Katsikeas & Samiee (2002), discussed that a well-designed export marketing strategy can certainly determine export success, since the overwhelming majority of the marketing strategy variables (export targeting, product, pricing, distribution, and promotion) were significantly associated with overall export performance.

In the context of developing countries a study conducted in Algeria focusing on internal and external determinants of export performance (Haddoud, Nowinski, Jones & Newbery, 2019) postulates that marketing capabilities, managerial resources, and relational resources gained through domestic peer firms' collaboration were found to be the most critical resource factors affecting export performance. Regarding the external factors foreign relationships (firms' connections and collaboration with their foreign partners and importers) were the sole factor found to be a significant antecedent of export regularity.

These discrepancies in research findings might have resulted from a serious of conceptual, methodological and practical limitations, obstructing theory advancement and other forms of variations in this area (Aaby and Slater 1989; Madsen 1987) as cited by Carlos, Francisco &

Filipe (2008). Therefore, a dynamic theoretical model and advanced statistical methods are needed to explore the antecedents of export performance in a changing market environment over time as argued by Jieke, Carlos and Xinming (2016).

Emerging economies and developing countries lacking capital intensity and high-tech facilities to get better rewards from their export, may focus on internally available factors and resources that guarantee their competitive advantage. Small and Medium Enterprises (SMEs) do not necessarily require high technology and innovation capabilities to be internationally competitive, they could rely on locally available and inexpensive resources to exploit foreign market opportunities (Boehe, 2013).

2.3 Conceptual Framework

The conceptual framework indicates the main constructs to be studied under the study. It shows the relationship between the dependent and independent variables. For this study the variables that are used in the conceptual framework are extracted from prior literatures based on the discussions on the theoretical and empirical literatures. Here, there are two broad categories of independent variables; Internal and external factors. The internal determinant factors were discussed in the resource based view and the external variables were discussed in the institutional based view. As performance indicators (dependent variables) the approaches discussed various financial and non-financial measures. In this study all possible forms of performance measures are provided to be evaluated by the participants in the data collection instrument and they can be used to measure performance based on their frequency (highly preferred measure by the respondents). A summary of measurement variables that are used in designing this conceptual diagram is attached in the annex section of this paper (Annex I).

The researcher of this study assumes that those firms who have more years of export experience will be more informed and well-versed in understanding the determining factors of export performance. Therefore, export experience of the firms in years is used as a moderator variable in the study.

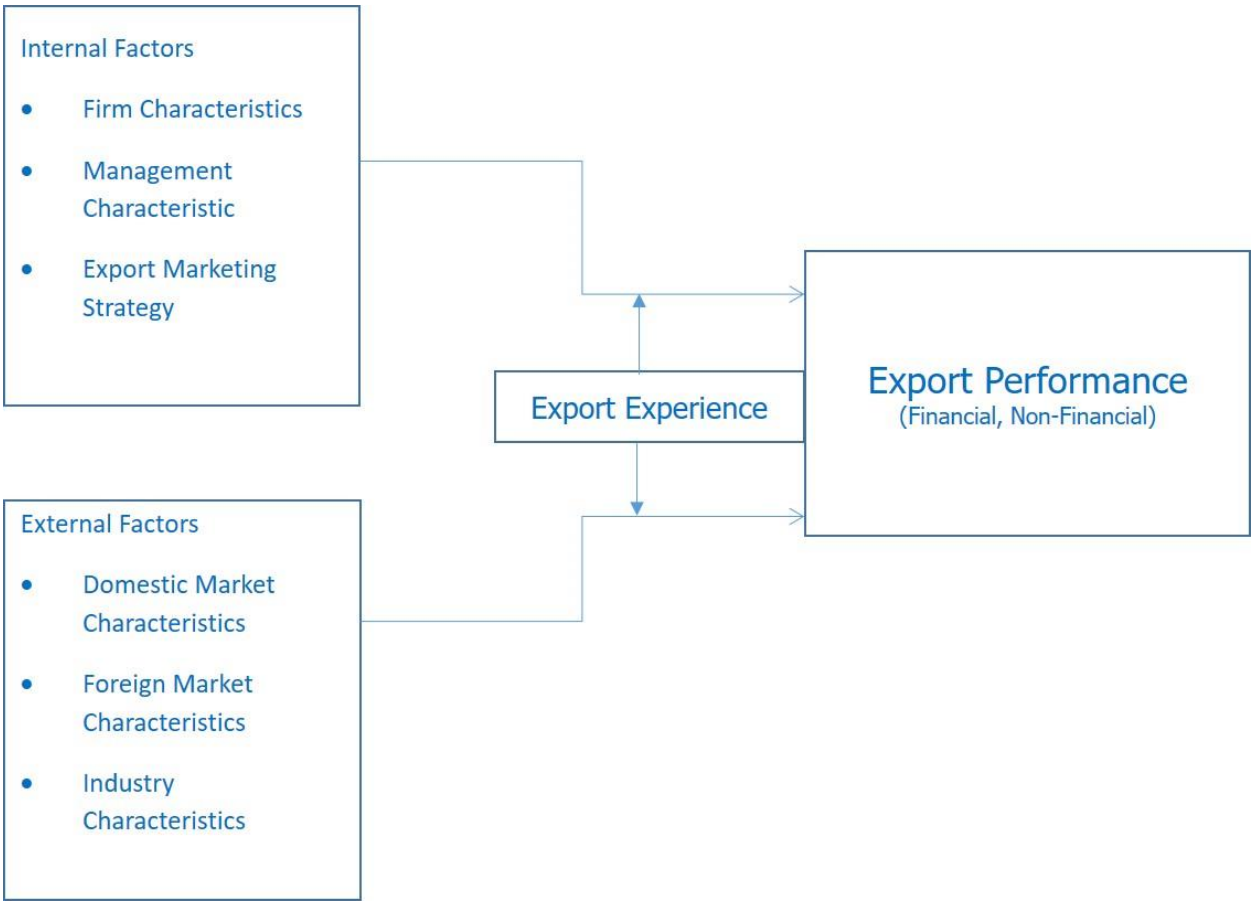

Figure 1: Conceptual diagram, source: own literature review

Within the internal factors there are three categories; firm characteristics, management characteristics and export marketing strategy. In the same manner there are also three external determinant variables; domestic market characteristics, foreign market characteristics and industry characteristics. Since these six major constructs are explained using various detailed variables (as discussed in measurement of variables table annexed) they are used as composite variables during the analysis.

2.4 Hypothesis of the study

Export performance whether it is measured in financial or non-financial measures or both, it is influenced by some major explanatory factors. As discussed in the review, these factors can be categorized as internal and external factors. The aim of this study is therefore, to analyze to what extent and direction these factors influence export performance of firms. To investigate the direction and strength of influence that the independent variables pose on the export performance of firms the following hypothesis have been proposed:-

***H1a**: There is a strong positive relationship between firm characteristics and export performance.*

***H1b**: There is a strong positive relationship between management characteristics and export performance.*

***H1c**: There is a strong positive relationship between marketing strategy and export performance.*

***H2a**: There is a strong positive relationship between domestic market characteristics and export performance.*

***H2b**: There is a strong negative relationship between foreign market characteristics and export performance.*

***H2c**: There is a strong positive relationship between industry characteristics and export performance.*

Chapter Three – Methodology

This section discusses the research methodology employed to conduct the study. It tries to create a clear picture of the processes and techniques used in conducting the study. It provides information about the research design and method. It also discusses about the data collection and instrument, and how samples were drawn from the population. Finally, it discusses about the data analysis and major statistical tests used to measure the reliability of the model.

3.1 Research Method

The study is conducted mainly using a quantitative approach with the main objective of investigating which factors highly determine the performance of roasted coffee export performance in Ethiopia. In social science and educational researches, quantitative methods are considered best suited to measure the cause and effect relationships among different variable (Muijs, 2010; Apuke, 2017).

A quantitative research method deals with quantifying and analyzing the variables in order to get results to show the relationship between independent and dependent variables. It tries to answer questions like *who, what, where, when, how many, and how* by utilizing numerical data and statistical techniques (Apuke, 2017).

Quantitative research modes have been the dominant methods of research in empirical studies in business and social science, where randomization of measures is required and generalizability from the sample to the population is the aim. Data in quantitative studies are coded according to prior operational and standardized definitions (Newman, Benz & Ridenour, 1998). A survey design provides numeric data about the trends, opinions and attitudes of samples that further used to make inference about the population. The findings finally reported in statistical correlations, comparison of means and statistical significance (Apuke, 2017). Quantitative approach simplifies the processing of a large amount of data and allows easier comparison of data (Basias & Pollalis, 2018).

3.2 Data Source and Data Collection Instrument

Generally, data collection methods are divided into two main categories; primary data collection methods and secondary data collection methods (Taherdoost, 2021; Sharma & Kumar, 2022).

Data that is not published yet and is the first-hand information is known as primary data. In other words, researchers use different approaches to gather and collect primary data for a specific

purpose. Thus, the validity, reliability, objectivity, authenticity and trustworthiness of data are more in primary data in comparison with the secondary data types. This is because primary data has not been tampered by human (Sharma & Kumar, 2022; Taherdoost, 2021). These qualities are important in some types of research methods such as statistical surveys as the use of the information is specific to a problem and cannot be provided from published references (Taherdoost, 2021).

A questionnaire is a research tool that asks respondents to answer questions in order to gather pertinent data. Written or spoken questions may be used in these devices to gather information needed for the study (Taherdoost, 2021). In recent years, questionnaires have grown more popular as a research method because of their speed, efficiency, and cost-effectiveness (Sharma & Kumar, 2022). They provide several merits in comparison to other survey methods to collect a large amount of data, being highly structured, the possibility of gaining more accurate data, analyzing the results easily by entering the achieved data to the software quickly, and by providing the opportunity of more objective and scientific analysis (Taherdoost, 2021). The type of questions that are included in questionnaires should make the participants feel comfortable and secure anonymity. They should also be posed in a nonintrusive way so that participants do not get the feeling we are judging their lifestyle or beliefs (Canals, 2017).

This study mainly depends on primary source of data using a well-structured questionnaire. Before conducting the original data collection a quick pilot survey was conducted in the lobby of the Ethiopian Coffee and Tea Authority office to gather some major information and concerns of coffee exporters. Based on the analysis of the responses found from the pilot survey the questionnaire designed to collect data is revised by adding some additional questions regarding organizational and product profiles and also by adding some open ended questions that give opportunity to the participants to provide their perceptions, evaluations and recommendations of their export performance in a qualitative manner. Therefore, the final data collection instrument is organized including respondents profile, organization's and export products profile, product sourcing and supply chain challenges, internal and external export performance determining factors, respondents' evaluation of firm's export performance and a brief SWOT (strength, weakness, opportunity, treat) of the firms in relation to their roasted coffee export.

In order to simplify the questions for the respondents and make the data analysis simple, most of the contents of the questionnaire were designed with close ended scaled questions, based on tested previous empirical literatures. A five point Likert Scale were used in the questionnaire.

Likert scales were developed in 1932, by Rensis Likert as the familiar five-point response. These scales range from a group of categories least to most asking people how much they agree or disagree, approve or disapprove. There is really no wrong way to build a Likert scale. The most important consideration is to include at least five level response categories (Albaum, 1997; Allen & Seaman, 2007). When a Likert scale is used to measure attitudes or perceptions, its usual or standard format consists of a series of statements to which a respondent is to indicate a degree of agreement or disagreement using phrases like strongly agree, agree, neither agree nor disagree, disagree, strongly disagree. The scale purports to measure first the direction; agree or disagree and next intensity of the response; strongly or not (Albaum, 1997).

In this study the scaled questions are used to measure the variables as totally insignificant (1), insignificant (2) Neutral (3) Significant (4) and highly significant (5).

Besides the primary data collected using the questionnaire, some additional information that help to construct a complete picture of the coffee export sector of Ethiopia, are also used from some credible secondary data sources. These sources of data include the Ethiopian coffee and tea authority (ECTA), National Bank of Ethiopia (NBE), World Bank (WB) and the Global Agricultural Information Network (GAIN) yearly reports of Ethiopia coffee export.

3.3 Sampling Technique and Size

Survey research encompasses the use of scientific sampling method with a designed questionnaire to measure a given population's characteristics through the utilization of statistical methods (Apuke, 2017). The populations of this study are all roasted coffee exporters in Ethiopia. To find the list of the exporters the researcher communicated the coffee export licensing authority, currently the Ethiopian Coffee and Tea Authority (ECTA). Some few years earlier the licensing authority was the federal trade and industry Bureau. According to the data provided by the ECTA license renewal department, the total number of roasted coffee exporters those renewed their trade and export license for the year 2021/22 are only 18. Therefore, to increase the number of participants I also received the list of exporters who renewed their license

for the previous export season 2020/21 which are 19 and others who rejoined the export of roasted coffee in 2021/22 export season which are 30 in number. Some of these exporters are new for the industry and most of them were working in export of roasted coffee for years. The Total number of the exporters from the merged list is then 67.

The research methodologies so far discussed in the review of literature were evaluated along three dimensions: first fieldwork characteristics (i.e. country of study, industrial sector and firm size), second sampling and data collection (i.e. sample size, data collection method, key informant, response rate and unit of analysis) and third method of statistical analysis as stated by Carlos, Francisco & Filipe (2008).

Based on this fundamental methodology decision factors the fieldwork characteristics of this research is the country of the study which is Ethiopia and the coffee industry sector with all available firm sizes. The second factor is sampling. For a small number of population scholars recommend a census (Israel, 1992; Taherdoost, 2016; Kumar, 2018). As discussed in the previous section the method that is used to collect data is a primary data collection using a structured questionnaire. Though the units of analysis is remained the firms, due to the small size of the population and considering the non-response rate I considered multiple key informants from a single firm where possible.

From the total considered population of 67 export organizations 5 firms could not be accessed because of different reasons. Two firms due to error in their address, one export organization reporting that their export license is temporarily banned due to tax related disputes with the revenue authority, one exporter due to lack of interest to participate in the study and one organization due to inconvenience with family affair. The rest 62 firms were willing to participate in the research. All the firms were first communicated with a phone call to confirm their physical address, and the questionnaire was sent to their working email addresses. During the phone conversation I discussed with the contact persons to receive the filled questionnaire in their convenience, either by mail or in person. Until the responses were collected I frequently sent a reminder mail and text messages to the contacts. It took me more than three weeks to collect the available responses. After a lot of effort exerted to collect the responses using phone calls, emails, and text messages with the contact persons (most of them are the top managers of the firms) finally 62 responses were collected from 54 firms. Eight export organizations provided the responses with multiple informants, out of which two responses were dropped for excessive

similarities and only 60 responses are used for the analysis. Therefore, the responses used in the analysis represent 81% of the total export organizations who are actively working on the export of roasted coffee.

3.4 Measurement of Variables

The data collection instrument mainly organized in to two major sections. Part one provides basic information about the respondents, the organizations and the exported products. Part two constitutes the internal and external export determining factors, export performance measures and evaluation of firm's strengths, weaknesses, opportunities and treats.

The variables discussed in section one presented using tables, graphs and narrations to provide a clear picture of the respondents, firms and the exported product profile. Those variables discussed in section two as factors that determine the export performance and the export performance measures are discussed using frequency and descriptive tables and statistical means.

The table below summarizes the variables used in the regression analysis as independent and dependent variables. The detail list of variables is attached in Annex I.

Measurement of Variables				
Category	**Variables**	**Measurements**	**Questions**	**Source**
Internal Independent Factors	Firm Characteristics	Five point scale measures	Question No. 20.1 to 20.14	*Zou, S., & Stan, S. (1998) *Sousa, C. M., Martínez-López, F. J., & Coelho, F. (2008) *Chen, J., Sousa, C. M., & Xinming, H. (2016)
	Management Characteristics	Five point scale measures	Question No. 20.15 to 20.20	
	Marketing Strategy	Five point scale measures	Question No. 20.21 to 20.32	
External Independent Factors	Domestic Market Characteristics	Five point scale measures	Question No. 21.1 to 21.5	*Sousa, C. M., Martínez-López, F. J., & Coelho, F. (2008) *Zou, S., & Stan, S. (1998) *Chen, J., Sousa, C. M., & Xinming, H. (2016)
	Foreign Market Characteristics	Five point scale measures	Question No. 21.6 to 21.16	
	Industry Characteristics	Five point scale measures	Question No. 21.17 to 21.23	
Moderating Variable	Export Experience of Firms	Continuous numeric value (n number of years)	Question No. 6	Firm Profile
Dependent Variables	Financial Export Measures	Binary (yes, no)	Question number 22.1 to 22.3	*Chen, J., Sousa, C. M., & Xinming, H. (2016) *Zou, S., & Stan, S. (1998)
	Non-Financial Export Measures	Binary (yes, no)	Question number 22.4 to 22.6	
	Net Export Return	Continuous numeric value calculated from net export value and total export volume		

Table 1: Summary of measurement variables

3.5 Model Specification

To examine the effect of internal and external determining factors on the export performance of firms and their level of influence in determining performance a multiple linear regression model has been specified as follows:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \ldots\ldots\ldots \varepsilon_i$$

Where

- Y_i refers to the dependent variable for i^{th} observation
- X_i refers to the independent variables for i^{th} observation
- β_0 is the constant/intercept where all the other coefficients set to zero
- β_s refer to the coefficients of their respective independent variables and
- ε_i is the error term for the i^{th} observation

This basic multiple regression model is rewritten in terms of the defined variables used for the study as:

Total Net Return= $\beta_0+\beta_1$Firm_Char+β_2Mgt_Char+β_3Mkt_Str+β_4Dom_Mkt_Char+β_5For_Mkt_Char+ β_6Ind_Char + ε ……. Model (1)

Total Net Return= $\beta_0+\beta_1$Firm_Char+β_2Mgt_Char+β_3Mkt_Str+β_4Dom_Mkt_Char+β_5For_Mkt_Char+ β_6Ind_Char + Exp Exp Firm + ε ……. Model (2)

Where

Total Net Return refers to the profit generated from the last season roasted coffee export

Firm_Char – refers to the firm characteristics as an internal determinant factor

Mgt_Char – refers to management characteristics as an internal determinant factor

Mkt_Str – refers to marketing strategy as an internal determinant factor

Dom_Mkt_Char - refers to domestic market characteristics as an external determinant factor

For_Mkt_Char - refers to foreign market characteristics as an external determinant factor

Ind_Char – refers to industry characteristics as an external determinant factor

Model 1 shows the relationship between the independent variables and the dependent variable without a moderating variable, and model 2 considers export experience of the firms as a moderating variable.

3.6 Data Analysis Technique

The basic types of data analysis techniques are descriptive and analytical. Descriptive research includes surveys and fact-finding enquiries. The major purpose of descriptive research is description of the state of affairs exist at present. In descriptive research the researcher has no control over the variables, he/she can only report what has happened or happening (Kothari, 2004).

The majority of the studies reviewed for this study were used multivariate data analysis techniques such as factor analysis, discriminant analysis, multiple regression analysis and structural equation modeling. This indicates that the level of statistical sophistication has improved if we take into account the principal method of analysis of previous studies (Carlos, Francisco &Filipe, 2008).

In this research descriptive, correlation and regression analysis techniques are used to present the findings for that they help to distinguish the different determining factors that affect the export performance and the level of significance that each factor poses on the dependent variable. The descriptive statistics was employed to quantitatively describe the variables using means, standard deviations and frequencies. The correlation analysis also performed to identify the direction and intensity of relationships between independent and dependent variables using Pearson correlation analysis. However, since the correlation analysis only shows the direction and degree of association between variables, a multiple linear regression analysis was also performed to make causal inferences regarding the relationship between variables and test hypothesis.

The data analyzed and presented in the form of tables and graphs by using statistical package for social science (SPSS) software version 23. The SPSS provides various tools such as arithmetic mean of constructs, correlation and multiple regression coefficients that are used to analyze the effects of the independent variables on the dependent variables. Finally, conclusion have been

made based on the findings and results of the study. Recommendations have also been forwarded on the basis of the analysis and participants own inputs.

3.7 Test of Reliability and Validity

Reliability refers to consistency of measures. It refers the degree to which the results obtained by a measurement could be replicable and the items that make up the scale are internally consistent (Weir, 2005; Bolarinwa, 2015). A researcher always wishes to know if the measurement tools employed actually measures the intended research concept or construct. In this regard, to say the measures are reliable the coefficient of alpha (Cronbach's alpha in SPSS) should be greater than 0.7 (Muijs, 2010).

The variables used to measure the model were extracted from various literature as indicated in Annex I measurement of variables. The data collected using the questionnaire were first cleaned for non-response errors and invalid responses. Since both the population and the samples were few in number to minimize the non-response rate some responses were checked with phone interviews for clearance and correction to valid responses. No individual firm response was dropped from the analysis, except two responses from multiple key informants were excluded for excessive similarity.

In SPSS, Cronbach's alpha is used to measure reliability with a minimum threshold of $\alpha > 0.7$ (Muijs, 2010). The total reliability statistics of this particular study produces Cronbach's alpha value of 0.866 which is above the threshold value. And all the variables found to be suited in the model since they produced the higher Cronbach's alpha value. Tables 2 and Table 3 below show the values from the analysis.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.866	.869	6

Table 2: Reliability statistics, source: own data analysis

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Firm_Char	19.5664	2.181	.818	.680	.813
Mgt_Char	19.4509	2.447	.568	.561	.861
Mkt_Str	19.4721	2.447	.717	.539	.835
Dom_Mkt_Char	19.2459	2.299	.740	.634	.829
For_Mkt_Char	19.6517	2.688	.575	.578	.858
Ind_Char	19.4093	2.331	.596	.514	.858

Table 3: Reliability statistics 2, source: own data analysis

A questionnaire should always be ready for establishing validity. Validity of a questionnaire can be established using a panel of experts which explore theoretical construct. This form of validity exploits how well the idea of a theoretical construct is represented in an operational measure (Bolarinwa, 2015). In SPSS a factor analysis using principal components method and Varimax rotation was applied to test the uni-dimensionality of items. Only item that had factor loading of at least 0.5 were retained for further analysis (Bagozzi & Yi, 1988). In this study, the Kaiser-Meyer-Olkin (KMO) test result was 0.811 and the principal component analysis produced values between 0.762 and 0.862 for each construct so that is convergent validity and discriminant validity can be tested.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.811
Bartlett's Test of Sphericity	Approx. Chi-Square	189.264
	df	15
	Sig.	.000

Table 4: KMO test result, source: own data analysis

Communalities		
	Initial	Extraction
FC	1.000	.798
MC	1.000	.834
MS	1.000	.684
DM	1.000	.793
FM	1.000	.862
IC	1.000	.762

Extraction Method: Principal Component Analysis.

Table 5: Principal component analysis, source: own data analysis

Convergent validity is established if the average factor loading of components are greater than 0.7. In this case the average factor loading of the two components were 0.780 and 0.735, so that convergent validity is established. Here we can also test discriminant validity by comparing the average variance extracted with the square of correlation. In this model the square of correlation matrix is 0.171 and the values of average variance extracted are 0.629 and 0.591, which are significantly higher than the square of correlation. Therefore, discriminant validity was also established (Bagozzi & Yi, 1988).

Test of Convergent and Discriminant Validity

Pattern Matrix

	Component		Variance Extracted	
	1	2	1	2
FC	.631	.423	.398	.179
MC	.986		.972	
MS	.660		.436	
DM	.842		.708	
FM		.948		.899
IC		.834		.696
Average Factor Loading	.780	.735		
Average Variance Extracted			.629	.591

Component Correlation Matrix

Component	1	2
1	1.000	.413
2	.413	1.000
Square of Correlation		.171
	.171	

Average Factor Loading of components are > 0.7, so that convergent validity is established.

Average Variance Extracted is greater than the square of correlation (0.171), so that discriminant validity is established

Table 6: Test results of validity, source: own data analysis

3.8 Ethical Considerations

The basic reason of researches should be contributing to the knowledge base to the area under study. Researches need to come up with scientific reflections not judgments. The information obtained from the subjects help the researcher rather than the participants. This information should never be used to the disadvantage of the subjects (Rogers, 1987). Therefore, any information or data gathered for research purpose should be confidential and anyone who provides personal and/or organizational information to the research purpose should be guaranteed to the confidentiality of the data and protection from miss interpretation and judgment based on the data. Therefore, the researcher of this study assures that the information gathered in any form only be used for the research analysis purpose. Respondents participated in

this study based on their consent and voluntarily. The researcher assures confidentiality and anonymity of individual's and organization's data. The interpretation drawn from the analysis represents the industry's aggregate performance not individual firm performance.

Chapter Four - Data Analysis and Interpretation

This section discusses the profile of the firms and respondents and overall overview of the industry in terms of product sourcing and challenges. It also shows the statistical tests for reliability of the constructs and tests of some major multiple regression assumptions. The data analysis is conducted using descriptive and statistical regressions.

4.1 Demographic Profile of Respondents

Regarding the sex demography of the respondents 56.67% are male and the remaining 43.33% are female respondents. Age composition is explained in ranges of four categories; 18-30, 31-40, 41-50 and 51-70. Based on the data, the majority of the respondents' ages fall under the two middle categories between ages 31 and 50 which accounted 81.67%. The remaining ages 18-30 and above 50 accounted to 16.67% and 1.67% respectively.

According to the data there are five categories that explain the educational level of the respondents. These are post graduate, undergraduate, diploma, certificate and other levels of education. The data shows that 66.67% of the respondents have first degree, 21.67% have second degree. These two categories accounted to 84.34% of the respondents. The remaining 5%, 3.33, and 3.33% are Diploma, certificate and other educational level holders in their respective order.

The export experience of the respondents are explained in two forms (1) total export experience of the respondent and (2) export experience of the respondents in the firm they are working now. The years of experience are summarized in four categories as 1-3, 4-6, 7-10 and 11-15 years of experience.

Respondents Profile		Frequency	Percent
Education Level of Respondents	MA/MSC	13	21.67%
	BA/BSC	40	66.67%
	Diploma	3	5.00%
	Certificate	2	3.33%
	Other	2	3.33%
	Total	**60**	**100%**
Export Experience of the Respondents in this Firm	1-3	11	18.33%
	4-6	32	53.33%
	7-10	15	25.00%
	11-15	2	3.33%
	Total	**60**	**100%**
Respondent's Position in this Firm	General Manager	29	48.33%
	Export Manager	13	21.67%
	Production Manager	8	13.33%
	Marketing Manager	9	15.00%
	Other	1	1.67%
	Total	**60**	**100%**

Table 7: Demographic profile of respondents, source: own data analysis

The data showed 53.33% of the respondents have 4-6 years of total export experience and 30% have 7-10 years of export experience. This constitute 83.33% of the total respondents. Those who have only 1-3 years of export experience accounted 13.33% and the remaining 3.33 % of the respondents have 10-15 years of total export experiences. These shows the total years of export experience of the respondents. When we see the export experience of the respondent's in their respective current organization, 53.33% have 4-6 years of experience which is at the same level from the total export experience. Among the respondents 25% have 7-10 years and 18.33% have 1-3 years of experience in their current firm. The remaining 3.33% have more than ten year experience in their current organization.

The position of the respondents also summarized in the table. Around 98.33% of the responses were given by higher responsible experts of the organizations. Among these 48.33% are general managers, 21.67% export managers, 15% marketing managers and 13.33% are production managers.

4.2 Profile of Firms and Products

As summarized in Table 8 below the firms participated in this study have export experience of years ranging from one up to twenty years. Their export experience is not only in roasted coffee, significant portion of the organizations have prior experience of exporting raw coffee. In this regard around 50% of the firms have 4-6 years of coffee export experience, 25% with 7-10 years' experience, 10% have 1-3 years' experience, 8.33% have 16-20 years of experience and the remaining 6.67% have 11-15 years of export experience. Among the firms, 56.67% are exporting roasted and roasted ground coffee and the others 43.33% are exporting both raw and roasted coffee.

Firm and Product Profile		**Frequency**	**Percent**
Export Experience of the Firm in Years	1-3	6	10.00%
	4-6	30	50.00%
	7-10	15	25.00%
	11-15	4	6.67%
	16-20	5	8.33%
	Total	**60**	**100%**
Exported Items	Roasted Coffee	9	15.00%
	Roasted and Ground	25	41.67%
	Both Raw and Roasted	26	43.33%
	Total	**60**	**100%**
Coffee Sourcing			
Own coffee farm	No	49	81.67%
	Yes	11	18.33%
	Total	**60**	**100%**
ECX	Yes	**60**	**100.0**
Suppliers Association/Unions	No	35	58.33%
	Yes	25	41.67%
	Total	**60**	**100%**
Integrated Out grower farmers	No	42	70.00%
	Yes	18	30.00%
	Total	60	**100%**

Table 8: Firm and Product profile, source: own data analysis

Ethiopia being a country rich in different Arabica coffee varieties, the firms in this study exported a broad range of coffee varieties. Yirgachefe, Amaro, Guji, Djimma, Sidama, Limmu, Teppi, Nekemti, Wollega, Bebeka, Wolayita, Godore, Mettu, Kafa, and Masha are among the coffee varieties stated as exported items by the firms. Among these, Yirgachefe, Sidama, Limmu and Guji are the most noted by the exporter. Mixed coffee from different varieties is also stated as exported variety by the respondents.

The coffee collected for export is mainly sourced from four major legally recognized coffee sourcing mechanisms. These are own coffee farms, Ethiopian Commodity Exchange (ECX), coffee supplier associations/unions and integrated out grower farmers. Some of the firms have their own coffee farms in major coffee producing southern, western and eastern regions. Those who have their own coffee farms will also have a relatively better access to the produce of other smallholder farmers who produce coffee for subsistence by integrating them to their farm in order to secure product quantity and quality. They provide the farmers with technical supports to produce the coffee to the expected export quality with a pre-signed contractual agreement and buy the products when reached for harvesting. There are also coffee supplier associations and unions that collect products from smallholder coffee farmers and supply to coffee exporters and the ECX. All the exporters also use the ECX as their major source of raw coffee. As we can observe from the table only 18.33% of the exporters have their own coffee farm as one source of product, 30% use integrated out grower coffee farmers, 41.67% source from coffee supplier associations and unions and all the exporters sourced from ECX.

With a prior pilot survey I found some major problems that exporters were facing when sourcing coffee from the ECX. Though they have different level of influence, the major problems faced are low quality of coffee, mixed (untraceable) coffee, low quantity (shortage of supply) and higher price. In this study the influence of these supply side problems are provided to be evaluated with a five point scale from totally insignificant (1) to highly significant (5) by the respondents. Based on the analysis Shortage of quantity supplied, higher price, low quality and problem of traceability scored above 3 (neutral effect) mean. Their respective mean values are 4.38, 4.30, 4.15 and 3.77.

The higher market price of coffee is mainly related to shortage of supply. Therefore, the study also tries to find the major causes behind the shortage of the quantity supplied. During the pilot

survey respondents also listed some basic reasons for the shortage of supply in the ECX marketing floor. Uncontrolled (higher) local price of coffee, illicit local trade of graded coffee, illicit out boarder trade to neighboring countries and holding of high grade coffee for speculative purposes are among the major reasons. These causes were also provided in the questionnaire of this study to be evaluated as less significant (1) and highly significant (5) by the respondents. The result of the descriptive analysis shows that uncontrolled local price of coffee scored the highest mean value 4.05. The second high score for the shortage of supplied quantity in the ECX floor is holding of graded coffee for speculative purpose with mean value of 3.72. Illicit local trade of graded coffee also has a score of 3.47 mean. The other proposed cause for the shortage of coffee supply, illicit out boarder trade found to be less significant with a mean value of 2.37.

As we have observed from Table 8 above 43.3% of the firms have exported both raw and roasted coffee. Since one of the objectives of this study is to evaluate the value difference of raw and roasted coffee export I try to summarize the average dollar value of the raw and roasted coffee export. The export value also varies based on the coffee grade. The coffee that were exported in the last export season as reported by the respondents are grade 1, 2 3 and four. All the exporters exported grade 2 coffee, 88% of them also exported grade 3. Only 45% of the exporter used grade 1 coffee to roasted export. Some 32% of the exporters also exported grade 4 coffees. Table 9 and figure 2 below summarize the average export value of last season and the coffee grades exported.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Value of raw coffee	26	$4.00	$9.00	$6.5000	$1.27279
Value of roasted coffee	60	$11.00	$20.00	$15.6000	$1.86129
Valid N (listwise)	26				

Table 9: Raw and roasted coffee export value, source: own data analysis

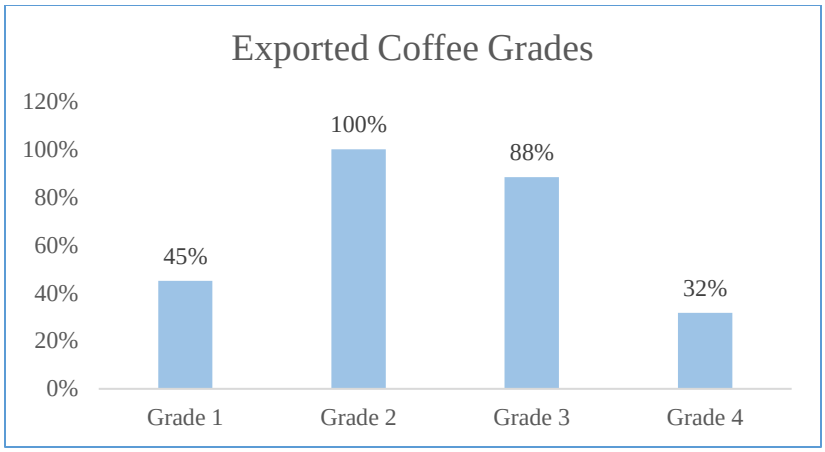

Figure 2: Percentage of exported coffee grades, source: own data analysis

The export destination of roasted coffee extends from our neighboring African countries to over sea Europe, Asia, and North American countries. China, Djibouti, Sudan, Europe, Saudi Arabia, South Korea, USA, Japan, Germany, Hong Kong, Sweden, and Switzerland are the major export destinations stated by the respondents. Among them South Korea, USA, Saudi Arabia, Japan and Germany are identified as high value destinations by the respondents.

4.3 Descriptive Statistics

4.3.1 Measures of export performance

Based on the review of different literatures export performance can be measured in various forms. The researcher therefore tries to gather information from the firms regarding their export performance measures both in financial and non-financial terms. Export sales volume, profit and market share were used as financial measures and the firms allowed marking on any of the choices, a combination or all of the possible measures. Perceived success, satisfaction and goal achievement were also used as non-financial measures of export performance. A summary of findings is provided in the tables below to show how firms measure their export performance in financial and non-financial terms.

Description of Financial Measures of Export Performance

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Export sales volume	60	0	1	.92	.279
Export profit	60	0	1	.97	.181
Market share	60	0	1	.32	.469
Valid N (listwise)	60				

Table 10: Assessment of financial measures of export performance

Description of Non-Financial Measures of Export Performance

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Perceived success	60	0	1	.68	.469
Satisfaction	60	0	1	.73	.446
Goal achievement	60	0	1	.75	.437
Valid N (listwise)	60				

Table 11: Assessment of non-financial measures of export performance

Based the data provided firms measured their export performance using different economic factors; export sales volume, profit from their export and their market share. The descriptive analysis shows that 97% the firms use export profit as their primary export performance measure, 92% also measure their performance in terms of export sales volume. Only 32% of the firms use their market share as measure of performance.

In terms of non-economic factors firms also measure their export performance using their perception towards success, satisfaction and goal achievement. As we can observe from the data 75% of firms use goal achievement as non-financial measure.

Hence, profit being the most frequently used measure of export performance; it is used as the major dependent variable for the regression analysis. Export profit is calculated as a product of net export earnings and total sales volume. In another way the sales volume is also used as measure of performance being a factor of the export profit. The following table summarizes the minimum, maximum and mean values of major independent and dependent variables.

4.3.2 Description of Variables

The independent variables explained here are composite variables. They consist of number variables that explain the composite variable. Firm characteristic is constituted from 14 different variables. Management characteristic is formed from 6 variables. The marketing strategy has also 13 different variables. These three composite variables are treated as internal determining factors of export performance. The remaining three composite variables are categorized under external determinant factors. The domestic market characteristic is composed of 5 variables. Foreign market characteristic has 11 explanatory variables and also the industry characteristic is also established from 7 detailed variables. The comprehensive list of variables and their category is attached in Annex I as measurement of variables.

Description of Independent and Dependent Variables

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Firm_Char	60	2.29	4.57	3.7929	.41768
Mgt_Cha	60	1.83	4.67	3.9083	.41785
Mkt_Str	60	2.31	4.77	3.8872	.35335
Dom_Mkt_Char	60	2.60	5.00	4.1133	.40231
For_Mkt_Char	60	2.55	4.27	3.7076	.30822
Ind_Char	60	1.71	4.86	3.9500	.45391
Average Value of Export	60	$11.00	$20.00	$15.6000	$1.86129
Average Net Return	60	$3.90	$8.00	$5.4800	$1.06974
Total export volume	60	125.00	1020.00	646.3167	236.96946
Total Net Return	60	487.50	7014.00	3587.1967	1541.51667
Valid N (listwise)	60				

Table 12: Description of independent and dependent variables, source: own data analysis

The average value of export of one kilogram (kg) of roasted coffee as provided by the respondents ranges from $11.00 to $20.00. From these range of value they reported that their average net return varies from $ 3.90 to $ 8.00. In their last export season firms roasted coffee export volume ranges from 125 kg to 1020 kg. Therefore, the total net return for the year is calculated as the product of average net return and total export sales volume. The total net return value ranges from $ 487.50 to $ 7014.00 as shown in the table above.

4.4 Correlation Analysis

A correlation analysis is used to identify the direction and strength of relationship between variable (Saunders, Lewis & Thornhill, 2009). Correlation coefficient values enable to quantify the strength of the relationship. The value of the coefficients ranges between -1 and 1. A value approaching to -1 indicates a strong negative relationship and a value approaching to 1 indicates a strong positive relationship between variables.

The Pearson correlation Table below illustrates the correlation coefficients that depict the relationship between all the variables used in the analysis. For this study it is important to focus on the relationship between the dependent variable and independent variables.

Correlations - Pearson Correlation							
	Total Net Return	Firm_Char	Mgt_Char	Mkt_Str	Dom_Mkt_Char	For_Mkt_Char	Ind_Char
Firm_Char	.405	1.000					
Sig. (1-tailed)	.001						
Mgt_Char	.166	.573	1.000				
Sig. (1-tailed)	.103						
Mkt_Str	.011	.688	.541	1.000			
Sig. (1-tailed)	.468						
Dom_Mkt_Char	.361	.710	.681	.623	1.000		
Sig. (1-tailed)	.002						
For_Mkt_Char	.121	.579	.143	.480	.413	1.000	
Sig. (1-tailed)	.178						
Ind_Char	.235	.576	.307	.460	.427	.673	1.000
Sig. (1-tailed)	.035						

Table 13: Correlation statistics of variables, source: own data analysis

As we can observe from the table, firm characteristics and domestic market characteristics established a modest relationship with the dependent variable with 0.405 and 0.361 coefficients respectively. The other independent variables built low level of correlation with the dependent variables with a coefficient value ranging from 0.011 to 0.235.

4.5 Diagnosis of Assumptions in Regression Analysis

4.5.1 Normality

Normality is one of the basic linear regression assumptions either in simple or multiple regressions. Normality implies that the errors are normally distributed throughout the model. In a multiple regression model to test whether errors are normally distributed or not we can use histogram and a probability plot. The assumption can be tested by looking at the P-P plot together with the histogram of the standardized residuals. A normally distributed errors produce a normal curve with the histogram and on the P-P plot the closer the dots lie to the diagonal line, the closer the residuals are normally distributed (Keith, 2014).

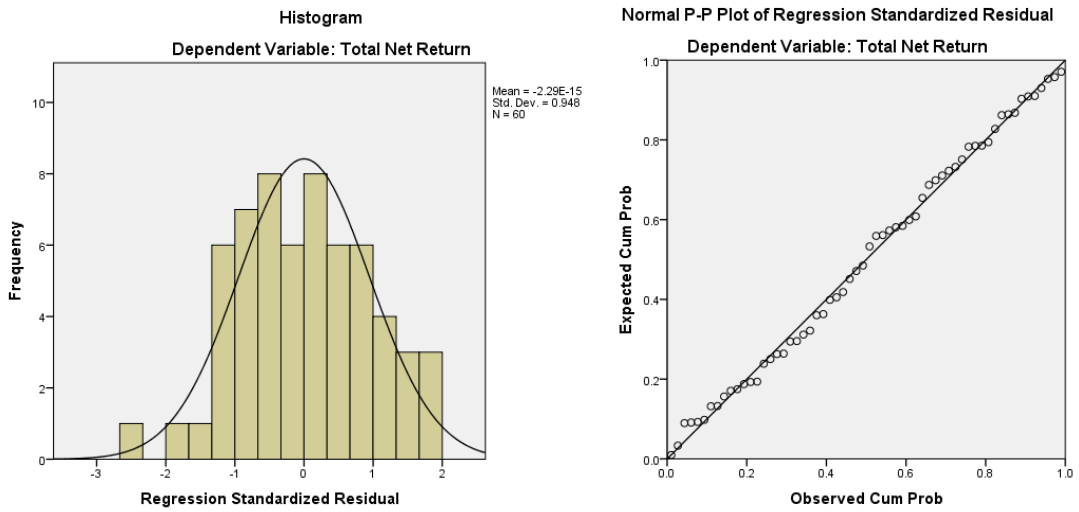

Figure 3: Test of normality using histogram and P-P plot, source: own data analysis

In the figures above the histogram produces a normal curve and the dots on the P-P plot are located closer to the diagonal line. These implies that the residuals are normally distributed in the model.

4.5.2 Multicollinearity

When conducting a multiple linear regression analysis, a strong relationship between explanatory variables creates a problem of multicollinearity. Based on the assumptions of ordinary least square (OLS) regression analysis high degree of collinearity is not acceptable. In SPSS collinearity can be tested using degree of tolerance and variance inflation factor (VIF). According to Lomax & Hahs-Vaughn (2012), a tolerance value < 0.1 and VIF > 10 indicate the presence of severe collinearity.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2555.124	2502.343		1.021	.312		
	Firm_Char	2423.343	705.541	.657	3.435	.001	.320	3.125
	Mgt_Char	-783.692	601.853	-.212	-1.302	.199	.439	2.276
	Mkt_Str	-2333.044	694.995	-.535	-3.357	.001	.461	2.170
	Dom_Mkt_Char	1559.975	685.328	.407	2.276	.027	.366	2.736
	For_Mkt_Char	-1247.156	832.115	-.249	-1.499	.140	.422	2.367
	Ind_Char	551.847	526.804	.162	1.048	.300	.486	2.058

a. Dependent Variable: Total Net Return

Table 14: Collinearity test, source: own data analysis

As shown in the table above, in this analysis all tolerance values are reasonably greater than 0.1 and the VIF also exhibited values by far lesser than 10. Therefore, multicollinearity is not a problem for this statistical analysis.

4.5.3 Homoscedasticity

Homoscedasticity refers to equal or similar variance of the error term in a model. Homoscedasticity describes a situation in which the disturbance in the relationship between the independent variables and the dependent variable is the same or similar across the values of independent variables. The easiest way to check the presence of homoscedasticity is to make a scatterplot with the residuals against the dependent variable. If the plot of the residuals follow some form of pattern it depicts homoscedasticity (Keith, 2014). In this regression analysis the errors are scattered throughout the values of the dependent variable. Therefore, homoscedasticity is not a problem for this model.

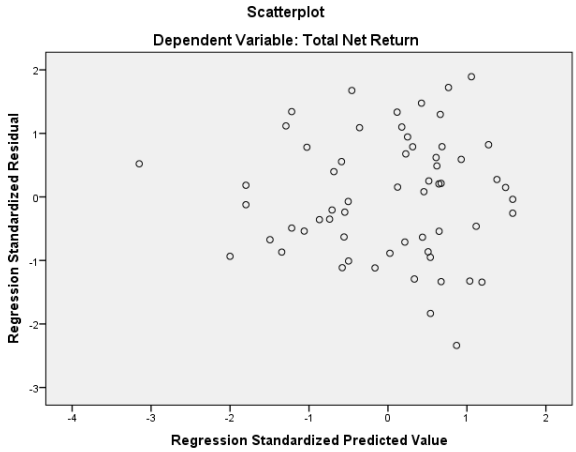

Figure 4: Test of homoscedasticity, source: own data analysis

4.5.4 Autocorrelation

Autocorrelation refers to serial correlation between errors. To satisfy the assumption of autocorrelation, errors should be independent of one another (Stevens, 2012). Dubbin Watson (DW) statistics could be used to test the assumption of residuals are independent or uncorrelated. The DW statistics can very between 0 and 4. For the assumption to be met, the DW value needs to be close to 2 (a value between 1.5 and 2.5 considered as being satisfactory for independence of errors). Value below 1.5 and above 2.5 indicates high degree of correlation among error terms. The following table shows the DW test result of this study producing 1.667 DW test statistics, which is considered satisfactory.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.617[a]	.380	.310	1280.39826	1.667

a. Predictors: (Constant), Ind_Char, Mgt_Char, Mkt_Str, For_Mkt_Char, Dom_Mkt_Char, Firm_Char

b. Dependent Variable: Total Net Return

Table 15: Test of autocorrelation, source: own data analysis

In case if the test result become out of the threshold level of DW statistic, we can simply reshuffle the ordering of the responses and run the test statistics again. It may result in a different DW statistics.

4.6 Regression Analysis and Hypothesis Testing

To test the hypothesis a multilinear regression is performed after the model is tested for various linear regression assumptions. Multiple regression analysis technique is used to measure the relationship between two or more independent variables and dependent variable (Saunders, Lewis & Thornhill, 2009; Stevens, 2012; Keith, 2014). The method enables the researcher to make inference based on the observed causal relationship among the variables. The results also help to prove or disprove the proposed hypothesis.

4.6.1 Testing Hypothesis with Multiple Regression Analysis

The study assumed that all the three internal factors; firm characteristics, management characteristics and marketing strategy to have a strong positive influence on firms' export performance. It also assumed that among the external factors domestic market characteristics and industry characteristics to have a positive influence on firms' export performance and one external variable, foreign market characteristic has a negative effect on firms' export performance. Therefore, to verify these pre-assumed hypotheses a multiple linear regression is performed to see the impact of each explanatory variable on the explained variable.

Model Summary (Model 1)							
					Change Statistics		
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	Sig. F Change
1	.617[a]	.380	.310	1280.39826	.380	5.420	.000

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2555.124	2502.343		1.021	.312
	Firm_Char	2423.343	705.541	.657	3.435	.001
	Mgt_Char	-783.692	601.853	-.212	-1.302	.199
	Mkt_Str	-2333.044	694.995	-.535	-3.357	.001
	Dom_Mkt_Char	1559.975	685.328	.407	2.276	.027
	For_Mkt_Char	-1247.156	832.115	-.249	-1.499	.140
	Ind_Char	551.847	526.804	.162	1.048	.300

a. Predictors: (Constant), Ind_Char, Mgt_Char, Mkt_Str, For_Mkt_Char, Dom_Mkt_Char, Firm_Char

b. Dependent Variable: Total Net Return

Table 16: Multiple linear regression analysis Model 1, source: own data analysis

In this regression analysis (model 1) independent variables are tested for their interaction with the dependent variable without a moderator to test the hypothesis. In the model summary the test of statistics shows that at least one independent variable has a significant effect on the dependent variable with 0.01 F-stat which explains the overall significance of the model. The Sig. (P-value) in the coefficient table on the other hand shows that the level in which each independent variable contributes uniquely in determining the dependent variable. A p-value (sig.) < 0.05 is considered that the specific variable uniquely explains at least 95% of the variation in the dependent variable. Based on these statistical benchmarks the test of hypothesis are performed as follows.

***H1a**: There is a strong positive relationship between firm characteristics and export performance.*

As we can see from the table firm characteristics explained in terms of Firm size, Ownership structure, Firm's technology/Infrastructure, International experience, Production management, Human Capital, Firm age,

Organizational culture, Industrial sector/product type, Firm capabilities/competencies, Firm performance, Market orientation, Firm's reputation and Firm's product brand is found to have a significant positive impact on the dependent variable (Total Net Return). The unstandardized coefficient beta of the variable shows that a unit changes in its value increases the total net return of firms by $ 2423.34 significant at a 0.001 p-value. It has also the highest standardized beta coefficient which indicates the variable has the highest impact relative to the other variables in the model with a standardized beta coefficient of 0.657.

The findings of the regression analysis in this model confirm that H1a is supported, which proves that firm characteristics has a strong positive contribution to export performance.

***H1b**: There is a strong positive relationship between management characteristics and export performance.*

The test statistics for management characteristics which is explained in terms of management's education/experience, export commitment and support, management's international experience, proactive export motivation, perceived export barriers and perceived export advantages is found to have a negative relation with the dependent variable total net return with a -783.69 unstandardized beta coefficient and 0.212 standardized coefficient in absolute term. But it is found to be insignificant in uniquely determining the dependent variable since its p-value is 0.199. This shows that H1b is not supported by the result of regression analysis.

***H1c**: There is a strong positive relationship between marketing strategy and export performance.*

Marketing strategy as the third internal explanatory variable in the model is explained with variables general export strategy, export organization, product strengths, price competitiveness, promotion adaptation, distribution channel adaptation, market research utilization, export planning, product adaptation, price adaptation, price determination, promotional intensity and distribution channel type.

In the regression analysis it is found to have a significant negative relationship with the dependent variable total net return. Its unstandardized beta coefficient -2333.04 shows that a unit change in its scale leads to a $ 2333.04 decline in the total net return of the firms. It is significant

at 0.001, which shows it has a significant unique contribution to the change in the dependent variable. Its standardized coefficient, 0.535 in absolute term also shows that marketing strategy is the second highest determinant factor in the model. The regression analysis shows that, although marketing strategy has a strong relationship with the dependent variable its direction of relationship does not coincide with the hypothesis. Therefore, H1c is not supported by the regression analysis or it is inversely confirmed.

***H2a**: There is a strong positive relationship between domestic market characteristics and export performance.*

A domestic market characteristic is one of the external factors pre-assumed to influence the dependent variable. It is explained in terms of export assistance, access to finance/credit, product quality, environmental hostility and Supply chain/market integration. In the hypothesis it is assumed that domestic market characteristic has a strong positive relationship with the dependent variable, total net return. Domestic market characteristics represent the business environment surrounding the export market in the home country.

The result of the regression analysis and test statistics confirms the hypothesis. The variable has unstandardized beta coefficient of 1559.97 with 0.027 significance which shows a unit change in the scale of the coefficient increase total net return by $ 1559.97. Its standardized beta coefficient 0.407 also displays that domestic market characteristic is ranked as the third significant contributor of the variation in the dependent variable of this model. The result confirmed the hypothesized strong positive relationship between domestic market characteristics and firms export performance.

***H2b**: There is a strong negative relationship between foreign market characteristics and export performance.*

Foreign market characteristic is an external determining variable which constitutes international competitors, partners, customers and agents outside the home country. Foreign market characteristics is explained in terms of customer/buyer preference, buyers bargaining power, conflict of interest, customer exposure, economic similarity, export market barriers, legal and political restrictions, cultural similarity, market competitiveness, channel accessibility and export market attractiveness. Based on these descriptions of the variable the researcher assumed that

there is a strong negative relationship between foreign market characteristics and export performance of Ethiopian roasted coffee exporters.

The regression analysis exhibited that foreign market characteristics has unstandardized beta coefficient of -1247.15, which shows that a unit change in the scale of the variable leads to a decline in the total net return of firms by $ 1247.15. The direction of the relationship with the dependent variable is consistent with the predetermined hypothesis. However, the test statistics for the significance of the variable in uniquely explaining the dependent variable (P-value, 0.140) depicts that it is not statistically significant. Therefore, the hypothesis is not supported by the regression analysis.

H2c*: There is a strong positive relationship between industry characteristics and export performance.*

An industry characteristic is a variable which represents the global picture of coffee export business. It is explained by industry's technological intensity, backward integration, forward integration, industry's level of instability and human capital in the industry at global level. Based on this explanation of the industry characteristic the researcher assumed that it has a significant positive relationship with firm's export performance.

The regression analysis indicated that though the direction of the relationship has conformity with the hypothesis it is found to be insignificant in affecting the dependent variable uniquely. Its unstandardized beta coefficient is 551.84 with 0.300 p-value. Therefore, the hypothesis is not supported by the regression analysis.

As discussed above, in model 1 the regression analysis and its test statistics shows that H1a and H2a are supported and H1c inversely confirmed by the analysis and this result represented 38% (0.380 R^2) of the variation in the dependent variable. The remaining 62% of the variation in the predicted variable is determined by other factors. Therefore, the regression analysis is performed in model 2 by incorporating the moderating variable, export experience of firms in years. The model summary and coefficient table below shows the regression results and test statistics of model 2. In this model the value of R^2 shows that 58.6% of the variation in the dependent variable is explained by the model. With the subsequent few paragraphs I try to explain how the hypotheses are tested in model 2 mainly focusing on important changes from model 1.

Model Summary (Model 2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	Sig. F Change
2	.765[a]	.586	.530	1056.65361	.586	10.510	.000

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
2	(Constant)	1188.952	2082.495		.571	.571
	Firm_Char	1126.495	635.726	.305	1.772	.082
	Mgt_Char	-360.145	503.627	-.098	-.715	.478
	Mkt_Str	-1402.635	602.064	-.322	-2.330	.024
	Dom_Mkt_Char	1294.276	567.982	.338	2.279	.027
	For_Mkt_Char	-794.452	692.461	-.159	-1.147	.257
	Ind_Char	343.886	436.669	.101	.788	.435
	Exp_Exp_Firm	166.881	32.841	.521	5.082	.000

a. Predictors: (Constant), Exp_Exp_Firm, Mkt_Str, For_Mkt_Char, Mgt_Char, Ind_Char, Dom_Mkt_Char, Firm_Char

b. Dependent Variable: Total Net Return

Table 17: Multiple linear regression Model 2, source: own data analysis

In this model H1a, which states strong positive relationship between firm characteristic and export performance, is not supported by the regression analysis. Though the direction of the relationship is consistent with the hypothesis it is found to be insignificant in determining the dependent variable uniquely. H1b, the relationship between management characteristics and export performance is also failed to be supported by the regression analysis both in terms of direction and significance. H1c, the relationship between marketing strategy and export performance upholds similar form of relationship like the one in model 1. Though it has a unique variance in determining the dependent variable (0.024 p-value), its direction of relationship is inverted. A unit change in the scale of marketing strategy, decrease total net return by $ 1402.63. Therefore, H1c is inversely confirmed.

H2a, the relationship between domestic market characteristics and export performance is confirmed both in terms of direction and significance. Its unstandardized beta coefficient is 1294.27 with significant level 0.027. H2a is confirmed both in model 1 and model 2.

Foreign market characteristics which has assumed to have a significant negative relationship with the dependent variable (H2b) is also rejected for that it produces a coefficient of -794.452 with p-value 0.257. Although the direction of the relationship is in conformity with the hypothesis, it fails to individually explain at least 95% of the variation in the dependent variable. H2b is therefore, rejected in model 1 and model 2.

H2c, which hypothesized the relationship between industry characteristics and export performance, is also rejected in model 2 for that industry characteristic does not exclusively explain the dependent variable. Its beta coefficient is 343.88 with p-value 0.435.

The moderator variable, export experience of firms in years has a strong positive relationship with the dependent variable. Its unstandardized beta coefficient is 166.88 with p-value 0.01 and a standardized beta coefficient 0.521. The unstandardized beta coefficient indicates that a unit increase in the years of experience increases the total net return with $166.88.

The moderation effect of export experience increases the R-square value which shows to what level the variations in the independent variables represent the changes on the dependent variable. The significant and positive relationship between export experience of the firms and their export performance also shows that as the firms gain years of experience in the sector their performance would be increased.

4.6.2 Summary of Regression Analysis and Hypothesis Tests

The table below summarizes the regression results which display significant explanation of the dependent variable in the two models that are discussed in the above section.

Summary of Regression Analysis		
	Model 1	**Model 2**
R value	.617	.765
R squared	.380	.586
F-Stat (ANOVA)	df(6,53), F= 5.420, p= .000	df(7,52), F= 10.510, p= .000
Sig. Beta Coefficients	• Firm Characteristics (β = .657, p= .001) • Domestic Market Characteristics (β = .407, p = .027)	• Export Experience (β = .521, p = .000) • Domestic Market Characteristics (β = .338, p = .027)
Best Predictors	• Firm Characteristics (β = .657) • Domestic Characteristics (β = .407)	• Export Experience (β = .521) • Domestic Market Characteristics (β = .338)

Table 18: Summary of regression analysis

The hypothesis tested in the two regression models discussed above are summarized in the table below.

SN	Hypothesis	Result	
		Model 1	**Model 2**
1	***H1a**: There is a strong positive relationship between firm characteristics and export performance.*	Supported	Rejected
2	***H1b**: There is a strong positive relationship between management characteristics and export performance.*	Rejected	Rejected
3	***H1c**: There is a strong positive relationship between marketing strategy and export performance.*	Inversely Confirmed	Inversely Confirmed
4	***H2a**: There is a strong positive relationship between domestic market characteristics and export performance.*	Supported	Supported
5	***H2b**: There is a strong negative relationship between foreign market characteristics and export performance.*	Rejected	Rejected
6	***H2c**: There is a strong positive relationship between industry characteristics and export performance.*	Rejected	Rejected

Table 19: Summary of hypothesis testing

Despite the fact that the proposed hypotheses are based upon previous research findings in different areas of export performance, the findings of this study revealed a different result which somehow contradicts with others. For instance the assumption that was proposed regarding management characteristics and marketing strategy were to construct a positive and significant relationship with export performance of firms. But from the analysis we observed a negative relationship with one insignificant effect (management characteristics) and the other significant effect (marketing strategy). Though the level of significance that each variable posed on the dependent variable may reasonably vary from one another, the unpredicted negative relationship constructed between the variables need further investigation in future researches. The researcher's personal observation and understanding about the results can be explained in to two ways. First since the roasted coffee export sector is very young in relation to other export sectors, the return of marketing strategy development and investment might be in its first stage of development which resulted in high marketing cost and low return. Second, high cost of acquiring management's international experience in firms which are in their early growth stage may also resulted high cost which outweighs the return on export in terms of net return on export. Therefore, future research interventions in the same sector may come up with different approaches, methods and findings.

Chapter Five – Conclusion and Recommendation

5.1 Summary of Findings

As discussed in the findings section, the participants of the research are high level managers and experts of the firms. They are 48.3% general managers, 21.7% export managers, 13.3% production managers and 15% marketing managers. The export experience of the respondents in their current organization ranges from 1 to 15 years. Among them 78.3% have 4 to 10 years of export experience in their respective organizations.

Respondents' educational background is also the other basic thing that we need to focus in analyzing the findings. 66.7% of the participants have first degree and 21.7% have second degree. The respondents' composition in terms of sex and age is also looks interesting; 43.3% are female and 56.7% are male. For about 81.7% of the respondents their age ranges from 31 to 50.

Based on these demographic characteristics, we can assume that the responses provided by the respondents deemed to represent the firms' perspective towards their export performance.

The main point of the study was to investigate what factors determine the export performance of roasted coffee exporters in Ethiopia. The variables were defined based on reviews of prior researches and they are categorized in to two broad groups; internal and external factors. Therefore, the research hypotheses were proposed in the views of the learned relationships from previous studies.

When we review the descriptive analysis of the independent variables, the mean value of the entire six independent variables exhibited a value above the cut point three. It ranges from 3.79 to 4.11 with standard deviations of minimum 0.31 and maximum 0.45. Domestic market characteristics scored the highest mean value 4.11 with a standard deviation (SD) 0.40 and firm characteristics scored mean of 3.79 with 0.42 SD.

The Pearson correlation table also provides a correlation coefficients ranging from 0.011 to 0.405 between the independent variables and the dependent variable. Firm characteristics is found to be highly correlated with the dependent variable (relative to the other variables) with a correlation coefficient of 0.405 and sig=0.001. The other significantly correlated variable is domestic market characteristics with a coefficient 0.361 and sig=.002. The least correlated explanatory variable with the dependent variable is marketing strategy by scoring 0.011 correlation coefficient and it is found to be insignificant in the analysis with a one tailed significance of 0.47. Therefore, in terms of correlation analysis firm characteristics and domestic market characteristics are found to have a strong and significant correlation

with the dependent variable and the other four variables are found to be in significant in determining the dependent variable, export performance.

After tested for basic linear regression analysis assumptions, the multiple regression analysis in model 1 proves that firm characteristics has a significant and positive relationship with export performance which confirms H1a; with β=0.657 and p-value=0.001. It is also justified that domestic market characteristics has a strong positive relationship with export performance with β=0.407 and p-value=0.027; this also proves H2a. In this model though marketing characteristics has a significant coefficient β=-0.535 and p-value=0.001 the direction of the relationship is inverted. H1b assumes there is a strong positive relationship between marketing strategy and export performance; but the result of the analysis proves there exists a strong negative relationship and rejects the hypothesis.

Based on the regression analysis in model 1 the other three explanatory variables found to be insignificant in determining the changes in the dependent variable. The R^2=0.38 value in the model summary of model 1 shows the changes in the independent variables only represent 38% of the variation in the dependent variable.

In model 2, where the regression analysis is moderated by the variable export experience of the firms in years, the value of R^2 changed to 0.586 which shows that the change in the independent variables represent 58.6% of the changes in the dependent variable. But the effect of the independent variables on the dependent variable changed accordingly. In model 2 the moderator variable export experience found to have a significant effect on the dependent variable with β=0.521 and p=.000. Domestic market characteristics remains significant in determining the variation of export performance with β=0.338 and p=.027. Similar to model 1 marketing strategy found to have significant negative relationship with the dependent variable having β=-0.322 and p=.024.

In model 2 only H2a (the positive significant relationship between domestic market characteristics and export performance) is confirmed. The other significant variable in model 1 (firm characteristic) found to be insignificant in model 2, when moderated by years of export experience.

In general, domestic market characteristics found to be significant in determining the changes in export performance of firms. Though marketing strategy has a significant beta coefficient and p-value in the two models, its direction of relationship found to be inverted from the preset hypothesis (it constructs a significant negative relationship with the dependent variable). Firm characteristics on the other hand though it is found to be a significant determinant in model 1, it loses its significance when moderated by the years of export experience. The other proposed explanatory variables; management characteristics,

foreign market characteristics and industry characteristics found to be insignificant both in model 1 and 2 and the moderator variable, export experience, found to have a significant role in explaining the changes in the dependent variable.

5.2 Conclusion

As discussed above the study tries to examine what factor most determine the export performance of coffee roasters in Ethiopia. Based on the reviewed literatures the factors that deemed to affect the export performance have been categorized into two major categories; internal and external factors. The internal factors mainly focused on the characteristics features of the firms, the managements and the marketing strategy that the firm employed. The external factors on the other hand focused on the domestic environment and institutions in the home country, the foreign environment which mainly focused on buyers' attitudes and choices and the industry's influence in the international market environment.

It is assumed that all these factors either positively or negatively could influence the performance of Ethiopian roasted coffee export. As shown in the findings of the study, among the variables domestic market characteristics has a significant and positive relationship with firms' export performance. In model 1 though the variables only explain 38% of the variation on the dependent variable, firm characteristic has also a significant positive relationship with export performance. Prior researches support the finding in way that in emerging economies where there is lack of capital intensity, relaying on firms internal capabilities and competitive advantages, domestic peer firms collaboration and institutional supports are keys to succeed in export performance (Boehe, 2013; Haddoud, Nowinski, Jones & Newbery, 2019).

A study by Carlos, Francisco & Filipe, (2008) concluded that export marketing strategy, firms' international competence and managerial commitment are the key determinants of export performance, but in this study only firm characteristic found to be significant in determining export performance of coffee exporters in Ethiopia. The other variables are not found to be significant in determining the performance of exports.

Another study focusing on marketing strategy came up with a conclusion that a well-designed marketing strategy certainly determine export success (Leonidou, Katsikeas & Samiee, 2002), but in my study marketing strategy found to have a negative effect on firms' export performance.

In a study by Haddoud, Nowinski, Jones & Newbery (2019), among the external factors firms' connection and collaboration with their foreign partners and importers was found to be a significant factor for export performance. In this study of Ethiopian coffee roaster export

performance, foreign market characteristic is assumed to have a negative significant relationship with export performance. This negative relationship is hypothesized by the researcher considering that Ethiopia as one of the major raw coffee exporter to the world giant coffee buyers and roasters competing with those huge international companies in providing roasted coffee will have a competitive disadvantage. This assumption is proved in the study by the negative relationship of foreign market characteristics with export performance but it is found to be statistically insignificant.

In general, it is concluded that domestic market characteristics and firm characteristics have a positive and significant effect on roasted coffee export performance of firms in Ethiopia with 58.6 and 38 percent contribution to the overall changes in the export performance (in their respective order). Furthermore, export experience of firms also found to be a significant factor in determining the firm's export performance. The other internal and external factors are found to be insignificant in determining the changes in export performance within the given theoretical and empirical evidences for the time being.

5.3 Recommendation

According to the findings from the study, the following recommendations forwarded by the researcher:

- For better export performance firms need to focus and work on their internal capabilities. These internal firm capabilities could be in terms of production management, technological infrastructure, human capital, organizational culture, firm reputation, international experience, product type and brand, ownership structure, and market orientation. Improving these internal firm capabilities will help the firms to be more competitive in the international export market and improve their export performance.
- The other critical issue that is found to be deterministic in the study is domestic market characteristics. Domestic market characteristic incorporates the institutional, legal and environmental situations that interact with the firm. These factors could be explained in terms of export assistance, access to credit or finance, product quality, environmental hostility, supply chain and market integration. In the study these factors found to be among the major determinants of export performance of firms. In the views of the findings firms and government institutions will be encouraged to create a conducive and

supportive domestic environment to be more competitive and successful in export performance.

- ☞ Though the results from the analysis revealed a relatively lower level of significance on the effects of the other internal and external variables, firms need to thoroughly study their competitive advantage both in internal and external environments.

From the firms' own assessment of their internal strength and weakness and opportunity and challenges in the external environment few points could be summarized to draw some recommendations that are deemed necessary in the eyes of the participants of this study. The most notable ones are:

- ☞ Firms' export motivation, product quality, product branding, firm reputation, customer focus, skill and know how about export of coffee could be summarized as strengths of most export firms that are deemed to be strengthened for better export performance in their future.
- ☞ Years of positive reputation of Ethiopian coffee in the international market, increasing market demand for Ethiopian coffee, increasing global exposure, relaxation of Covid-19 restrictions, expansion of export destinations of Ethiopian coffee are notable opportunities towards achieving better export performance.
- ☞ Lack of investment capital, limited market research, lack of marketing experience and plan for penetration, supply inconsistency, quality inconsistency, and choice of distribution channel are among the weakness firms' need to improve in their day to day export business activity.
- ☞ Price instability, supply instability, poor quality products, logistics problems, lack of financial access, lack of technological infrastructure, market accessibility, foreign exchange supply and unethical competition are among the challenges that firms faced in their export experience.

Based on their assessment of the coffee export environment they recommend some solutions that will help to improve the export performance of firms and the country as a whole. Promoting Ethiopian coffee, easing government regulations regarding coffee sourcing, financial institutions support and assistance, better logistic service provision, government support and assistance regarding huge capital investments for coffee processing and high

level branding, foreign exchange facilitation etc. are basic recommendations forwarded by the respondents.

5.4 Direction for future research

Reviews of literatures showed that findings of researches on determinants of export performance are characterized by lack of agreement, fragmented, inconsistent and diversity of results (Jieke, Carlos & Xinming, 2016; Carlos, Francisco & Filipe, 2008). These tendencies though they limit theory developments in the area of study, they always call for future researches using different theoretical approaches and view. This will help to broaden the knowledge base of the issue under study.

From my experience in doing this study I found that most of the variables that were expected to affect the export performance are found to be insignificant. Those which are found to have a significant relationship also represent around 59 percent of the variation in the dependent variable. This may occur due to the theoretical or methodological choice of the study. Therefore, I recommend that future studies may focus on various forms of studies to better understand what factors highly determine the export performance of firms in this specific industry. Case studies on few selected firms, time series studies to obtain changes in different socio-economic and political conditions, comparative study to analyze the special features of the industry or any other form of study that deemed applicable could be tested.

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Annexes

Annex I – Measurement of variables

Variable Group	Variables	Description	Measurement	Source
Internal Independent Variables	**Firm Characteristics**	Firm size, Ownership structure, Firm's technology/Infrastructure, International experience, Production management, Human Capital, Firm age, Organizational culture, Industrial sector/product type, Firm capabilities/competencies Firm performance, Market orientation, Firm's reputation, Firm's product brand	Five point scale	*Zou, S., & Stan, S. (1998) *Sousa, C. M., Martínez-López, F. J., & Coelho, F. (2008) *Chen, J., Sousa, C. M., & Xinming, H. (2016)
	Management Characteristics (Attitude and Perception)	Management's education/experience, Export commitment and support, Management's international experience, Proactive export motivation, Perceived export barriers, Perceived export advantages,	Five point scale	
	Export Marketing strategy	General export strategy, Export organization, Product strengths, Price competitiveness, Promotion adaptation,	Five point scale	

Variable Group	Variables	Description	Measurement	Source
		Distribution channel adaptation, Market research utilization, Export planning, Product adaptation, Price adaptation, Price determination, Promotional intensity, Distribution channel type		
External Independent Variables	**Domestic Market Characteristics**	Export Assistance, Access to Finance/Credit, Product quality, Environmental Hostility, Supply chain/Market integration,	Five point scale	*Sousa, C. M., Martínez-López, F. J., & Coelho, F. (2008) *Zou, S., & Stan, S. (1998) *Chen, J., Sousa, C. M., & Xinming, H. (2016)
	Foreign Market Characteristics	Customer/buyer Preference, Buyers Bargaining Power, Conflict of Interest, Customer exposure, Economic similarity, Export market barriers, Legal and political restrictions, Cultural similarity, Market competitiveness, Channel accessibility,	Five point scale	

Variable Group	Variables	Description	Measurement	Source
		Export market attractiveness,		
	Industry Characteristics	Industry's technological intensity, Backward integration, Forward integration, Industry's level of instability, Human capital in the industry,	Five point scale	
Dependent Variables (Performance Measures)	**Economic/Financial Measures**	Export sales volume, Export profit, Market Share	Frequency of occurrence of value 1 or "yes"	*Chen, J., Sousa, C. M., & Xinming, H. (2016) *Zou, S., & Stan, S. (1998)
	Non-Economic/ Non-Financial measures	Perceived success, Satisfaction, Goal achievement	Frequency of occurrence of value 1 or "yes"	
	Total Net Return	Calculated from the net return of export value and total volume of export	Continuous numeric values	

Annex II – Questionnaire

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Addis Ababa University
College of BUSINESS & ECONOMI
Master Of Business Administration

Ref No: CBE/MBA/2021/22/ 064

Date: Mar 1,2022

To Whom It May Concern

Student Tinzer Seifu Maru, is undertaking project entitle, "Determinants of roasted and ground coffee export performance in Ethiopia"

She/He is taking this opportunity of project study in partial fulfillment of MBA master in Finance /M<anagemnt.

We believe that result of the project would have practical applicastion and be of value to you, to us and to the business Community at larger. Hence we Would be very grateful if your organization could support us in this endeavor.

Besides, we promise You that data Will be Kept confidential and used for academic purpoess only Further, we can send to you all the summary and finding when the undertaking is completed.

Thank You for the anticipated cooperation.

With best Regards

Faculty of Business and Economics MBA programme
Addis Ababa University

Dr Takele Fufa
Coodinator, MBA Program
College Of Business and Economic
Addis Ababa University

☎ 251-011-1-22-96-91 ✉5563

Declaration

This questionnaire is developed to gather information regarding export performance determining factors in coffee roasting businesses in Ethiopia for a research purpose. The research is conducted for partial fulfillment of Master of Business Administration (MBA) study at Addis Ababa University. The research is conducted by a candidate of MBA TIRUZER SEIFU MARU, with a title "**Determinants of Roasted and Ground Coffee Export Performance in Ethiopia**". I guarantee you; the organization and individual respondent that the information gathered through this questionnaire will only be used for data analysis and to draw technical recommendations about the industry. Data will be analyzed on aggregate, no individual or organization data will be analyzed separately. For the usefulness of the information please try to address all the questions. I thank you in advance for your ample cooperation in exhaustively reading, understanding and responding all the questions provided.

Part I: Introduction: Basic Information about the respondent the business organization and coffee supply in Ethiopia.

Respondent Code _____

1. Sex Male ☐ Female ☐
2. Age _____
3. Level of Education
    a. MA/MSc ☐
    b. BA/BSc ☐
    c. Diploma ☐
    d. Certificate ☐
    e. Other _____
4. Your position in the organization
    a. General Manager ☐
    b. Export Manager ☐
    c. Operation/Production Manager ☐
    d. Quality Manager ☐
    e. Marketing Manager ☐
    f. Other _____
5. Export Experience of the respondent in Years _____

6. Export Experience of the organization in Years _____
7. Export experience of the respondent in this organization (in years) _____
8. Export of coffee Items (tick only one option)

Raw ☐ Roasted ☐ Roasted and Ground ☐ Both Raw & Roasted ☐

9. What type of coffee variety are you exporting? (eg. Yirgachefe, Limmu, Djimma, Harar . . .) ____ _____, _____, _____, _____, _____, _____, _____, _____,
10. Sources of your export coffee
    a. Own Coffee Farm ☐
    b. Ethiopian Commodity Exchange (ECX) ☐
    c. Coffee Suppliers Association/Unions ☐
    d. Integrated Out grower Farmers ☐
    e. Others (please specify) _____
11. If you buy coffee from ECX, what major problems have you faced? Mark (√) on the following listed problems based on your personal evaluation.

List of Problems	Totally Insignificant (1)	Insignificant (2)	Neutral (3)	Significant (4)	Highly Significant (5)
11.1 Low quality coffee					
11.2 Mixed (untraceable) coffee					
11.3 Low quantity coffee					
11.4 High price					

12. Ethiopian Coffee Roasters Association members say they are witnessing a severe scarcity in reject coffee on the ECX floor. What do you think about the problem behind the shortage? Mark (√) on the following listed problems based on your personal evaluation.

List of Problems	Totally Insignificant (1)	Insignificant (2)	Neutral (3)	Significant (4)	Highly Significant (5)
12.1 Uncontrolled (Higher) local Price of coffee					
12.2 Illicit local trade					
12.3 Illicit out boarder trade					
12.4 Holding stock (speculation of price increase)					

13. Does your company exports raw coffee? Yes ☐ No ☐
14. If Yes for Q.No. 13, how much is the average value/price of 1kg **raw coffee** (USD)? _____
15. Grades of coffee your company mainly exported _____, _____, _____
16. How much is the average value/price of 1kg **roasted coffee** (USD)? _____
17. How much is your expected net return from export of 1kg **roasted coffee** (USD)? _____
18. What are your major export destinations (eg. USA, Japan, China, Sudan, German, Saudi Arabia etc.) _____, _____, _____, _____, _____, _____
19. From which country/destination your export products get better value/price? _____ _____, _____, _____, _____, _____

Part II: Determinants of Roasted and/or Ground Coffee Export Performance

20. **Internal determinants: provided are list of export performance determining factors from internal organizational perspective gathered from various literatures in different categories. Evaluate the factors based on their level of influence to your roasted and/or ground coffee export activity.**

How do you personally evaluate the significance of the following firm characteristics as internal determinants of export performance? Please mark (√)

Characteristics	**Totally Insignificant (1)**	**Insignificant (2)**	**Neutral (3)**	**Significant (4)**	**Highly Significant (5)**
20.1 Ownership structure					
20.2 Firm's technology/Infrastructure					
I20.3 International experience					
20.4 Production management					
20.5 Human Capital					
20.6 Firm's product brand					
20.7 Organizational culture					
20.8 Industrial sector/product type					
20.9 Firm capabilities/competencies					
20.10 Firm performance					
20.11 Market orientation					
20.12 Firm's reputation					
20.13 Firm size					
20.14 Firm age					

How do you personally evaluate the significance of the following Management Characteristics as internal determinants of export performance? Please mark (√)

Characteristics	Totally Insignificant (1)	Insignificant (2)	Neutral (3)	Significant (4)	Highly Significant (5)
20.15 Management's education/experience					
20.16 Export commitment and support					
20.17 Perceived export advantages					
20.18 Management's international experience					
20.19 Proactive export motivation					
20.20 Perceived export barriers					

How do you personally evaluate the significance of the following Export Marketing strategy variables as internal determinants of export performance? Please mark (√)

Characteristics	Totally Insignificant (1)	Insignificant (2)	Neutral (3)	Significant (4)	Highly Significant (5)
20.21 General export strategy					
20.22 Export organization					
20.23 Export planning					
20.24 Product adaptation					
20.25 Product strengths					
20.26 Price competitiveness					
20.27 Price adaptation					
20.28 Price determination					
20.29 Promotion adaptation					
20.30 Distribution channel adaptation					

20.31 Promotional intensity					
20.32 Market research utilization					
20.32 Distribution channel type					

21. External determinants: provided are list of export performance determining factors from external environment perspective gathered from various literatures in different categories. Evaluate the factors based on their level of influence to your roasted and/or ground coffee export activity.

How do you personally evaluate the significance of the following Domestic Market Characteristics as external determinants of export performance? Please mark (√)

Characteristics	**Totally Insignificant (1)**	**Insignificant (2)**	**Neutral (3)**	**Significant (4)**	**Highly Significant (5)**
21.1 Export Assistance					
21.2 Access to Finance/Credit					
21.3 Product quality					
21.4 Environmental Hostility					
21.5 Supply chain/Market integration					

How do you personally evaluate the significance of the following Foreign Market Characteristics as external determinants of export performance? Please mark (√)

Characteristics	Totally Insignificant (1)	Insignificant (2)	Neutral (3)	Significant (4)	Highly Significant (5)
21.6 Customer/buyer Preference					
21.7 Buyers Bargaining Power					
21.8 Legal and political restrictions					
21.9 Cultural similarity					
21.10 Conflict of Interest					
21.11 Economic similarity					
21.12 Market competitiveness					
21.13 Channel accessibility					
21.14 Customer exposure					
21.15 Export market barriers					
21.16 Export market attractiveness					

How do you personally evaluate the significance of the following Industry Characteristics as external determinants of export performance? Please mark (√)

Characteristics	Totally Insignificant (1)	Insignificant (2)	Neutral (3)	Significant (4)	Highly Significant (5)
21.17 Industry's technological intensity					
21.18 Industry's relevance to the economy					
21.19 Industry's level of instability					
21.20 Government assistance to the industry					
21.21 Human capital in the industry (skilled)					
21.22 Industry's Backward integration					
21.23 Industry's Forward integration					

22. How do you measure your export performance (you can mark any of the lists or a combination)

Financial Measures	
Measures	**Mark (√) in your performance measures**
22.1 Export sales volume	
22.2 Export profit	
22.3 Market Share	
Non-Financial measures	
Measures	**Mark (√) in your performance measures**
22.4 Perceived success	
22.5 Satisfaction	
22.6 Goal achievement	

23. How do you evaluate your roasted coffee export performance?

    a) Very weak b) Weak c) Moderate d) Good e) Very Good

24. Do you think you are exporting at your maximum potential? Yes ☐ No ☐

25. If your answer for Q.No.24 is No, what prevent you not to export at full potential? Please list the major challenges.

Internal Challenges	External Challenges

26. What solutions do you recommend to overcome the challenges?_____

    _____,_____

    _____,_____

27. What potential strengths and opportunities you have to improve your roasted coffee export performance?

Strengths	Opportunities

28. How much was your last season roasted coffee export volume in kg? _____

29. If you have anything you want to add regarding your roasted and/or ground coffee export business prospect, please forward here: _____

    _____

    _____

    ✂ _____

    If you need to have the copy of the final report please contact me via tiruzer2014@gmail.com

    Mobile: 0911 60 63 44 (Tiruzer)

thank you