ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS SCHOOL OF COMMERCE

DETERMINANTS OF EXPORT COMPETITIVENESS OF LEATHER INDUSTRIES IN ETHIOPIA

A Thesis Submitted to Addis Ababa university school of commerce as partial Fulfillment for the Requirements of the Award of Degree of Master's in Logistics and Supply Chain Management

BY

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DECLARATION

The undersigned, declare that the thesis entitled "determinants of export competitiveness of leather industries in Ethiopia" Submitted for Fulfillment of the Requirements for the Award of Degree of Master's in Logistics and Supply Chain Management, is my own original work and all sources of materials used for the study have been duly acknowledged. This study has not been submitted for the award of any other diploma or degree in any other University.

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CERTIFICATION

This is to certify that Mr.Kifelew Shawl has carried out his research work on the topic under the title of "Determinants of export competitiveness of leather industries in Ethiopia" under my supervision. This work is original in nature and it is suitable for the award of the degree of Master's in Logistics and Supply Chain Management.

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This is to certify that the thesis prepared by Mr.Kifelew Shawl, under the title of "Determinants of export competitiveness of leather industries in Ethiopia"**,** submitted for the partial fulfillment of the requirement of the Degree of Masters in logistics and supply chain management Complies with the rules and regulations of the university and meets the expected standards with respect to quality. Hence all materials contained have been dully acknowledged.

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LIST OF ACRONYMS

AGOA	African Growth Opportunity Act
CSA	Central Statistical Authority
ELIA	Ethiopian Leather Industry Association
ERCA	Ethiopia Revenue and Customs Authority
FAO	Food and Agriculture Organization
LIDI	Ethiopia Leather Industry Development Institute
MOI	Ministry of Industry
MOT	Ministry of Trade
NBE	National Bank of Ethiopia
R &D	Research and Development
UNCTAD	United Nation Center for Trade and Development
UNIDO	United Nations Industrial Development Organization
WEO	World Economic Outlook.

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Abstract

The main purpose of this study was to identify the determinant factors that influence the export competitiveness of leather industry in Ethiopia. The researcher used explanatory type of research design to explore the relationship between competitiveness and its determining factors. The research study was based on both primary and secondary data. The primary data obtained through a structured questionnaire prepared for leather manufacturer and export companies Whereas the secondary data from reports, published and unpublished documents from leather manufacturer and export companies and different organization. The total population of the study was 340 managers of sixty eight leather manufacturer and export companies which are five managerial position employees from each leather manufacturer and export companies. The random sampling technique was used to select 184 leather manufacturer and export companies' managerial position employees. The study used raw material, quality, marketing strategy, government regulation and incentives, skilled labour force, infrastructure, capital, technology, managerial capability and industry and institution linkage as independent variables and competitiveness as the dependent variable. Demographic and socio-economic conditions of sample respondents and determinant factors of competitiveness analyzed by using descriptive statistics like mean, standard deviations and percentage. Multiple Regression analysis applied to analyze the data generated from structured questionnaire and to identify the impact level of independent variables on the dependent variable. The study found that of the internal factors: marketing strategy, quality, skilled labour, information technology and managerial competency have a positive impact on competitiveness, whereas from the external factors raw material, government regulation and Industry and Institution linkage have a positive impact on competitiveness. Capital from the internal factors and infrastructure from the external factors are not the determinant factors of competitiveness.

Key Words: Export Competitiveness, Leather Industry, Multiple Regression, Addis Ababa.

CHAPTER ONE

INTRODUCTION

This chapter addresses the introductory part of the research. It includes background of the study, the statement of the problem, purpose and significance of the study, delimitation of the study, limitations of the study and the operational definition of basic terms under study.

1.1 Background of study

The leather industry is identified as one of the potential area which could play a crucial role in achieving the long run predetermined policy objectives and transforming the country development status to a better chapter through increasing the foreign currency earning of the country, expanding employment opportunities, attracting foreign direct investment (FDI) and others. This is because Ethiopia has the largest number of livestock in Africa and the 7th-9th largest producer in the world.

According to Central Statistics Agency (CSA), the Ethiopia's population of cattle, sheep and goat increased by about 15 million, 6 million and 9 million from 2005 to 2014 respectively. Similarly, it has also shown that the share of Ethiopia's population of cattle, sheep and goat increased from about 16.77%, 8.25% and 5.97% in 2005 to about 18.84%, 8.68% and 7.15% in 2014 respectively. Besides the share of those populations in the total of the African population is very significant which make her the leading producer of the livestock. As a result, this can be mentioned as a potential and possible strength for the country, which can be used as an input for the domestic manufacturers of leather industry. It can also help to boost the export performance of the country, which in turn can help in securing a long lasting growth.

In addition to the numerical advantage of the cattle, sheep and goats, which make the country one of the most livestock populous in the globe, other promising thing is that the trend observed in the last ten years shows that the number is growing up. In pursuance to CSA, the trend is increasing from around 40 million of cattle, 20 million and 16 million in 2005 to above 55 million of cattle, 26 million of sheep and 25 million of goats in 2014.

Africa's abundance of livestock represents a natural strength in the area, as leather is a by-product of the meat industry. Africa has about 15 per cent of the world's cattle population, a percentage that grew by about a quarter over the last decade. According to the data taken from the FAO compendium (2013), the livestock of Africa in general and Ethiopia in specific is growing from time to time, which was probably made the continent a fast emerging as one of the future markets for sourcing quality leather and hides for the booming global leather industry. The case of Ethiopia is not different, being rich in the livestock; leather has been at the core of Ethiopia's economy since many centuries. The country has known for its high-class hides and skins. Though smallholder farmers and pastoralists predominantly own the Livestock, being the first livestock producer in Africa, Ethiopia has a huge potential for the leather industry.

In addition to the prospect in livestock, the government supports the export of finished leather by discouraging the export of leather at the wet blue stage (not much value added) by imposing a 150% tax on its export. However, the export of live animals is permitted. This has caused operational difficulties for several tanneries to get the raw materials to process.

To promote the leather and leather products industry, the government of Ethiopia established Leather Industry Development Institute in 2006, to provide technical support and consultancy services for potential investors in the industry and to create conducive atmosphere for developing linkages among the stakeholders in the supply chain. The leather industry considered as an important sub - sector that leads the whole sector's modernization. The export value has grown steadily since then and expected to make a big impact on the Ethiopian economy. Not only the economic impact resulting from the trade important, but also the job opportunities the industry may create could make a significant impact on poverty reduction.

Hence, it is also important to mention the roles of sectorial Association specially the Ethiopian Leather Industry Association for the representative role of member producers in laddering the relation between producers and government. Since the leather industry is among the priority area in the country, studying the importance of leather industry export competitiveness has not been emphasized at various levels. Thus, this study was trying to examine the internal and external impeding to determinants of export competitiveness of leather industry in Ethiopia.

1.2 Statement of the Problem

Despite the fact that Ethiopia has an absolute advantage in the leather sector because of the profound existence of livestock the export competitiveness of leather industry is still lagging behind due to the impeding internal and external factors. It is obvious that the leather industry provides export opportunities to the country and contributes to the growth of the manufacturing sector. Based on different kind of study, the African leather industry has been facing a number of constraints with regard to its export competitiveness. Among the challenges that affect the growth and export competitiveness of the leather industry are: poor management, Poor quality of hides and skins, inadequate levels of technological development, poor infrastructure and inadequate experience in trade negotiations (Rolf & Carlos, 2002).

On the other hand, the Ethiopian leather industry challenges are not far from these factors. For instance, Birhanu & Kibret, (2002), Mekonnen & Gezahegn, (2008); Wondu, (2010); Temesgen, (2011), Kiros & Hailu, 2012) and (Birkinesh, 2012) highlight that Ethiopia had not yet acquire much gain from the leather sector. According to Mekonnen and Gezahegn (2008) the major challenge of the leather sector like poor economic infrastructure, lack of skilled, less capacity utilization, and less attention backward technology, poor quality of hides and skins, given to the leather production and productivity.

Another study conducted by Wondu (2010) the major challenges of the sector as production capacity, market, support institutions, management and supply side constraints. Lack of quality raw skins and hides, low price competitiveness as compared to Taiwan, Indonesia, China, and Vietnam; an imbalance in the profit-sharing scheme and absence of good practice in supply chain management were the fundamental problems identified as stated by Temesgen, (2011). As indicated in the above mentioned researches and investigations, on the determinants of export competitiveness are doing a different country which has resulted in different conclusions.

In Addition to these, there are some Studies in the area competitiveness of Ethiopian leather export industries. These include; (MOA, 2013), (EDRI, 2013) and (LIDI, 2015). However, there are only few empirical studies on the Africa level on determinants of export competitiveness of leather industry. While these few studies are available, the result of these studies may not be

appropriate to the Ethiopian leather export industry. First the studies are conducted based on the data collected from different sample periods and from different countries which have different economic set up than Ethiopian economy. Second, the earlier studies have provided with contradictory conclusions. Third, the above-mentioned studies (MOA, 2013), (EDRI, 2013) and (LIDI, 2015 on Ethiopian leather export industries have based on desk reports. Therefore, different studies are necessary in the leather export industry, which was assisted to devise alternative strategies for improved competitiveness and address all the mentioned challenges so as to earn higher foreign exchange from the industry. Thus, this is the major reasons why the researcher aggravated to conduct this study since the majority of the studies which are done so far are mainly focusing on sectors other than leather industry.

Moreover, the determinants export competitiveness of leather industry, i.e. raw material, quality, capital, skilled labour, management capability, marketing strategy, government regulation & incentives, information technology, infrastructures, Institutional and industries relation and less support from governmental were not dealt in terms of quantitative approaches and hence this study was focused on addressing this issue. Thus, this research was trying to examine the determinant of export competitiveness of leather industry in Ethiopia.

On the body of the available literature, so far there are methodological and conceptual gaps in studying determinants of leather industry's competitiveness in Ethiopia. Therefore, this study tries to address the gaps of the previous studies by studying the specific determinant factors of export competitiveness of leather industry in Ethiopia, which used to develop a mitigation strategy, which enable Ethiopian leather export industry competitive in the international leather market.

1.3. Hypothesis

Most of the empirical findings indicate that factors like raw material, quality, capital, skilled labour, management capability, marketing strategy, government regulation & incentives, information technology and R&D, infrastructures, Institutional and industries relation have an impact on competitiveness. Therefore, this study explores the impact of these factors on the competitiveness of leather export industry in Ethiopia. Based on that, the following hypotheses are developed.

H_1:1 There is a positive and significant relationship between quality and competitiveness of leather export industry in Ethiopian.

H_1:2 There is a positive and significant relationship between Skilled labour and the competitiveness of leather export industry in Ethiopian.

H_1:3 There is a positive and significant relationship between technology and competitiveness of leather export industry in Ethiopian.

H_1:4 There is a positive and significant relationship between Managerial competency and competitiveness of leather export industry in Ethiopian. .

H_1:5 There is a positive and significant relationship between capital and competitiveness of leather export industry in Ethiopian

H_1:6 There is a positive and significant relationship between marketing strategy and competitiveness of leather export industry in Ethiopian.

H_1:7 There is a positive and significant relationship between raw material and the competitiveness of leather export industry in Ethiopian.

H_1:8 There is a positive and significant relationship between government regulation and incentives and the competitiveness of leather export industry in Ethiopian.

H_1:9 There is a positive and significant relationship between Infrastructure and the competitiveness of leather export industry in Ethiopian.

H_1:10 There is a positive and significant relationship between Industry and Institution linkage and the competitiveness of leather export industry in Ethiopian.

1.4. Objectives of the Study

1.4.1. General Objective

The overall objective of this study was to identify the determinant factors of competitiveness of leather export industry in Ethiopia.

1.4.2. Specific Objectives

The specific objectives of the study are:

- To assess the internal factors that determine the export competitiveness of leather industry in Ethiopia.
- To explore the external factors that determine the export competitiveness of leather industry in Ethiopia.
- To explore the roles expected from different stakeholders in order to improve export competitiveness of leather industry in Ethiopia.

1.5. Scope of the Study

Conceptually, there are many factors related to the notion of export competitiveness. However, the study was delimited to determine the internal and external export competitiveness of leather industry in Addis Ababa, Ethiopia.

Geography wise, the study was conducted in Addis Ababa, the capital city of Ethiopia, particularly. For the quantitative approach, samples were selected from the total 68 leather industry firms currently operating in export. For the qualitative approach, two heads of local firms, one association and two government experts are selected for semi-structured interviews.

Methodologically, this study was applied both qualitative and quantitative aspects of research so as triangulate the instruments from different directions and also the research approach is inductive approach. The participants and head of firms are located in the suburb of Addis Ababa and it is the head of firm's self-reported research, which in turn limits the findings to be applicable to other urban and rural areas of the country. Meanwhile, there is an indication that the findings of this study can be generalized to the heads of local firms having similar structure, settings and group of an industry who live in Addis Ababa.

1.6. Limitation of the Study

The study had limitations. Moreover, this study did not consider the whole value chain, which encompasses input delivery, production, transportation, processing, exporting and consumer or end user. And also the study does not cover all important explanatory variables that determine the export competitiveness of the leather industry.

1.7. Significance of the Study

The current study was help for investors, policy makers and researchers. The study was pursued its policy significance through availing the results of analyzing data, facts and information to the concerned body with regard to the leather industry. Moreover, the study was having scholastic significance in that the paper used as a partial fulfillment of the requirement of the MA and it was the base for those interested academicians to conduct a similar study on the subject.

The study examines the determinants of the export competitiveness of the leather industry in Addis Ababa, Ethiopia. As a result, the concerned bodies, policy makers, local associations, governmental and non-governmental organization work together to strengthen the existing firms in order to enhance interventions on leather industry. This research would also be important for those involved in the leather industry, improve and intervention strategies for industrial sector development.

The researcher believes that the findings of this study provide an initial, promising portion and important direction for conducting further research in the areas of export competitiveness. In general, this research contributes to further study in the area of export competitiveness and industrial sector development; give information to stakeholders and policy makers in those areas. While the present study contributes to the academic literature on leather industry development, trade professionals, head of industry firms, head of local associations and practitioners (such as government experts) also may benefit from the findings of this study.

- Make the head of firms' aware of the determinant of the export competitiveness of leather industry.
- Appraise what government experts of the ministry of industry and the leather industry

development institute (LIDI) will have been doing in relation to the determinant of the export competitiveness of leather industry that can be applied.

- Aware policy makers and the academic area engaged in positive activities towards promoting export competitiveness leather industry.
- Take action on encouragement, developing programs/projects and searching for opportunities to promote export competitiveness in Addis Ababa, Ethiopia.
- Contribute to advancing modern theories on the determinants of the export competitiveness of the leather industry.

1.8. Organization of the Paper

The study was organized into five chapters in the course of this final thesis. The introductory chapter presents the statement of the research problem and questions in conception. Chapter two commences by articulating existing literature on the determinant of the export competitiveness and then suggests a working definition and determine the export competitiveness. This chapter also contains the literature review related to the leather industry. Chapter three presents the methodology part. This chapter entails a description of the research design, sample, data collection and a discussion of the statistical methods to be employed. Chapter four details the result and discussion part of the study to answer basic research questions. Chapter five provides a summary of results, a conclusion and the recommendations for further research and practice.

1.9. Operational Definitions of Terms

The definitions of the selected terms to be used in the present study was the following. In this research, the determinant of the export competitiveness of leather industry was dealt as developed and measured by the following:

Export Competitiveness: summative value on perceptions of respondents to price and market preference aspects of Ethiopian leather industry.

Raw Material: value on perceptions of respondents of continuity of the leather supply throughout the year, volume required quantity at a time, quality (age, weight and dressing percentage of Ethiopian exports.

Government Regulations and Incentives: Government policies and regulation, facilitation of access to fund and investment incentive, tax holidays.

Infrastructure: Better roads, better connectivity, modern airports and railways, efficient ports and affordable and reliable power.

Marketing Strategy: Access to international markets without having to incur costs associated searching for new markets, channels for external markets, knowledge base of foreign market, trust and credibility with customers in external markets, negotiating and monitoring contracts.

Institutions: Support mechanisms among firms and creation of network for firm growth and expansion.

Quality: Packaging, meeting importers quality standards and establishing proper design and image for export markets.

Skilled Labour: Labour productivity and knowledge share for effectiveness

Capital: The availability of working capital in order to meet costs related to the purchase and producers of exportable goods as well as cover pre-shipment costs and unexpected difficulties

Managerial Capability: Provision of time, space, attention, and opportunities for better effectiveness.

Information Technology and R&D: An adoption and adaptation of new technologies, and the development of skills to use these new technologies.

Heads: Manager/owner, marketing, quality, finance and human resource department heads of respective leather industries.

Source: - Depicted by the researcher based on literatures reviewed

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter is all about providing a brief description of the intellectual stream of determinant factors that affect export competitiveness and its usage in leather industry. First, it examines existing conceptual issues in the determinant factors of export competitiveness, particularly focusing on leather industry. In the review, an attempt has made to identify key aspects of export competitiveness and its structural forms operating in leather industry. Second, the researcher highlights the previous findings in the empirical studies and then discusses them in relation to leather industry in Ethiopia. Third, the researcher suggests a possible conceptual framework to the construct, and conceptualization of determinant factors that affect export competitiveness of leather industry.

2.1. Export Competitiveness

Export is often associated with the competitiveness of the country at the global level. As Bruneckiene and Paltanavicience (2012, p. 50) mention, in scientific literature, international competitiveness is often known with exports. Export competitiveness can cover a wide range of aspects that enable the country to produce and sell products in foreign market of a quality and at prices that ensure long-term viability and sustainability (World Bank, 2008). This indicated that export competitiveness lies on three pillars, such as; cost reduction, give incentive and overcoming of market failures. Voon (1996) defined competitiveness as the country's ability to gain market share on a common export destination.

"One of the most important factors, which could inspire the development of national economy, is export higher export competitiveness could help the country overcome the aftereffects of economic recession and stimulate the development of the total national economy" (Bruneckiene and Paltanavicience, 2012, p. 50).

N.A (1994) also argued that, export is obviously important for the country competed. Export expansion within external market increase export earning and diversity of export structure considered as the country with necessary competitiveness. International competitiveness

generally refers to the ability of a country to expand its share in domestic and world markets (Taner, Oncu and Civi, n.d, p. 380). Therefore, international trade may be an engine that drives economic growth of nations, whereas international competitiveness represents the fuel that empowers that engine. The competitiveness of export causes the nation to command greater market shares sustain the level of revenue, income, and employment created in the various sectors of the economy. Export competitiveness involves, measuring international share, diversifying export baskets, sustaining high rate of export growth, upgrading the technology, and skill content of export activity and expanding the base of domestic firms to compete internationally (Nogami, 2008, p. 134).

Bruneckiene and Paltanavicience (2012, p. 50) emphasized that the research on the concept of export competitiveness and the ways of improving competitiveness of the national economy is relevant for the countries in the period of recovering from the outcomes of the economic crisis. To develop international trade, a country has to establish favorable conditions to provide goods and services to the external market, which are competitive and demanded; thus, the country's export should be competitive. In this study, researchers indicated that export competitiveness can be measured in different ways; analyze one or several factors of the country's export, creating composite indices, and analyze factors and conditions stimulate the international trade.

Considering the above-mentioned factors, export competitiveness identified as the reflection of national competitiveness. A country has a mix of factors of export competitiveness and interaction of those factors creates the export competitiveness. Identifying the factors affecting a country's export competitiveness becomes an important phenomenon. Then, why a country needs to identify the determinants of export competitiveness? As Bruneckiene and Paltanavicience (2012) mention, without identifying factors affecting on competitiveness, it cannot improve. The academic understanding of export competitiveness of a country is still forming and a determinant of export competitiveness still identified.

2.2. Market Performance of Leather Industries

This chapter gives a detailed market performance of the leather industry. It includes three main parts. The first one tries to illustrate and focuses on the market performance of leather industry in the world in general. The second part gives an overview of the trend of the leather industry in Africa and the last part of this chapter focuses on the leather industry in Ethiopia.

2.2.1. The Global Market for Leather and leather Products

Leather and leather products are among the most widely traded and universally used commodities in the world. As it reflected in the study of Mulat (2015), the total value of annual trade estimated at 1.5 times the value of the meat trade; more than five times that of coffee and more than eight times that of rice. Formal international trade in leather and leather goods estimated at over US$ 50 billion a year and the market is far from saturated. In the next decade, the demand for leather raw materials (hides) and finished products may exceed supply, making the leather industry one of the most lucrative business sectors in the years to come. More importantly, due to the development of different appealing design and usage of the leather and leather products, the total transaction sale/buying of such products is tremendously increasing from year to year.

2.2.2. Leather industry in Africa

It has well known that Africa has rich natural resources. Among those resources, the number of castles' is so significant in which their raw hides and skins, input for finished leather and input for the production of different leather and leather products. The gap between resources and production shows the considerable potential of the African leather industry. Reducing the gap is especially critical in an important strategic sector for the economic and industrial development of many African countries. Not only does this sector have an excellent and renewable resource base, but it is also labor-intensive with the potential to be a major source of employment all along its supply chain. African countries have 18.5% of the world's heads of cattle, sheep and goats, but produce only 14.9% of world output of hides and skins. Their exports of hides and skins have fallen in recent years from 4% to 2%, and their tanning capacity from 9.2% to 6.8% at a time when other developing countries have substantially increased their share of world footwear production in relation to developed countries (UNIDO, 2003). But We can infer from the above expression that the leather and leather sector is the unutilized potential of the

continent due to lack of technology, lack of modern breading and handling system and like. With respect to the product, due to lack of technological and capacity, skill, iconic and standard products not yet produced in large international market.

2.2.3. The Leather industry in Ethiopia

The Ethiopian Leather Industry is a relatively older industry with more than 80 years of involvement in processing leather and producing leather products. The industry bases itself on the country's livestock resources. Indeed, Ethiopia possesses one of the world largest livestock populations. This enormous population of livestock provides many opportunities for the development of the leather industry in the country. In addition to possessing large livestock population, Ethiopian cattle hides well known internationally for their fine grain pattern and good fiber structure and are ideal for making shoe uppers. However, the livestock potential was lagging behind to play its part more in hastening the country's economic development for long. For example, the overall export performance of the sector during GTP I period was lower than its target. According to the Leather Industry Development Institute, it planned to earn about 496.5 million USD, the actual earning was 132.86 million USD. Lack of effective, efficient and coordinated support in terms of supply of raw hides, skin and other production inputs as well as other related problems is like what's been stated in the problem part among the challenges faced to achieve the target.

2.2.3.1. Ethiopia's Leather industry Export Performance

The leather industry is segmented into three sub-sectors: the production of finished leather from raw hides and skins (tanneries), the production of leather footwear and the production of other leather goods such as garments, bags, gloves, belts, wallets, coin purse and accessories. They also have to import most other inputs, including chemicals, but also simple packaging materials. In addition to the three leather-manufacturing sub-sectors, the recovery and collection of skins and hides, at the upper end of the value chain, is a critical element for the overall development of the leather sector and for exploiting Ethiopia's comparative advantage. At present, the domestic value chain is not well integrated and most participants in the leather supply chain operate independently instead of interdependently (USAID 2013). This means that the low integration in the supply chain brings about lack of producing and computing in the most advanced country

market like France, Japan and the like though some of Ethiopia product have the chance to be exported to some destination country like Italy, China, India and USA.

2.3. Empirical Review on determinants of Export Competitiveness

A different study was conducted regarding determinants of the export competitiveness of different industries in different countries, even though a common agreement cannot reach for sure. According to the study of Lee and Tang (2000) made to analyses an econometric regression to assess competitiveness and productivity levels in Canada and US manufacturing industries using. They found that Canadian manufacturing sectors as competitive as that of a United State manufacturing sector in 1979; however, the Canadian manufacturing sector's relative competitive position worsened between 1979 and 1995 while its relative output increased by about four percent. This somehow reflects the points of the industry as generic. On the other hand, Brinkman (1987), in a study focused on the competitive position of Canadian agriculture, provides a conceptual framework integrating the various determinants of competitiveness. Finally, it is analyzed that, competitiveness is the result of a combination of both domestic and international factors. At the national level, natural resource endowments and human capital are key determinants of competitiveness. Technical progress acts on factor productivity and consequently determines the comparative advantage.

Pursuant to M.R. Narayana, (2004), the result shows on determinant of competitiveness of small-scale industry. This paper focused unitary analysis of quality and cost of infrastructure facilities and business environment, and their impact on competitiveness of India's Small-Scale Industries. The analyses are based on both primary and secondary data. Primary data had collected from a sample survey of 373 SSIs in Bangalore and non-Bangalore regions of Karnataka State. The results show that low quality and high cost transport facilities, power, water supply; lack of market information; inadequate credit facility; and low technology have lesser effects on competitiveness.

In line with the concept we are dealing with, Cockburn and Siegel (1998) compare the competitiveness of Mali's and Ivorian manufacturing sectors in terms of unit cost in their studies of measuring competitiveness and its source the case of Mali's manufacturing sector. They found

that relatively Malian manufacturing firm less competitive than that of Ivorian, but the sheet metal industry of Malian competition. Unit costs of vegetable oil, Wheat flour, plastic bags, plastic shoes, textile, carton and printing manufacturing in Mali is substantially higher.

The research work of Medalla, Tucson, Bautista, and Power and Associates (1996) is one of the first extensive studies that provided valuable empirical evidence on the importance of trade policies in shaping industrial efficiency and performance. Entitled "Catching Up with the Asia's Tigers", the study demonstrated how enterprises and industries respond to economic incentives, proving that policy reforms matter. Eight industry studies were analyzed namely; (1) textile and garment, (2) motorcycle and parts, (3) meat and dairy processing, (4) appliance, (5) packaging, (6) synthetic resin and plastic, (7) agricultural machinery, and (8) shipbuilding/repair and boat building. Each industry study used plant-level data from the Census of Establishment for the years 1983 and 1988, representing pre-and post tariff policy regimes. A measure of locative and technical efficiency calculated to determine whether the industry has comparative advantage.

Generally, the study observed a pattern of declining inefficiency and improvement in allocating efficiency with the partial implementation of the trade reforms. Export-oriented industries found to be relatively efficient and realized their comparative advantage in the world market. However, structural weaknesses remain and need to be addressed, specifically the continued high reliance on imported products as evidenced by the shrinking intermediate and capital goods sector. The study recommended that policy attention should focus on the improvement of efficiency and competitiveness of the intermediate and capital goods sector--highly regarded for its strategic role of generating and diffusing technological change throughout the economy.

According to Kiros Hailu's (2012), unpublished research "determinants of export growth rate in Ethiopia 1980-2010" The study aimed at identifying the major determinants of export growth rate which have been a matter of argument in Ethiopia and Africa as a whole for a long period of time. The paper empirically examined the export growth rate and its major factors in the Ethiopian context using time series data for the period 1980-2010 collected from ERCA, NBE, UNCTAD, and WEO by employing integration and error correction model, which was previously used by Musinguzi et al (2000), was adopted for this study. The estimation result of

the model shows that the relationship between the foreign price level, and terms of trade with the export growth rate are positive and negative which are statistically significant respectively. The gross domestic product also positive and significant, but it is not strong.

Yap (1999) examined the link between trade patterns and competitiveness in the manufacturing sector for the period 1980-95. The study hypothesized that export performance significantly affected by macroeconomic stability and the structure of the financial sector in its capacity to deliver and meet world demand. Using revealed comparative advantage (RCA) as a measure of trade performance, the study tested the influence of labor productivity, price competitiveness and capital stock on export. The study failed to establish an empirical link between export performance and productivity where the econometric tests yielded statistically insignificant coefficients and opposite signs. The paper, however, highlighted the existence of a dichotomy between the domestic manufacturing sector and the export sector, indicating that the export sector has its own dynamics independent of the development in the local manufacturing sector.

Ruling out macroeconomic factors in affecting export performance, the study pointed at real factors such as (1) low level of technological capability that hampered forward and backward linkages across industries, (2) poor human resource development, and (3) inadequate infrastructure as the culprit behind the failure of the macroeconomic reforms to transcend to the macroeconomic level. Though the study did not statistically test the relationship of export performance and the identified real factors, it opened an alternative view in understanding trade performance and competitiveness.

By virtue of study made by Birhanu and Kibret on 2002, they did a competitive analysis of the productivity of the Ethiopian leather sector with another country like Ghana, Taiwan and Tunis. In their study, they underlined that the reason for declining productivity and competitiveness in the Ethiopian leather sector to labor productivity of the Ethiopian tanning sub sector with different countries. They found that Ethiopian's labor productivity is better than that of China and lower labor productivity than Taiwan. This entails that Ethiopian is tanning sub sector competitive than China, but less competitive than that of Taiwan. Further, they compare the labor productivity of Ethiopian footwear Subsector with Tunisia. The result indicates that

Ethiopian labor productivity was lagging behind with that of Tunisia. This implies Ethiopian's footwear sub sector presumed to be less competitive than that of Tunisia.

In Mauritius, the export behavior of leather garment firms was analyzed using foreign equity, firm size, age, technological index and human capital (measured by the share of engineers and technician of total employment) as possible determinants of export performance. Among these factors, only technological index and foreign ownership yielded significant results. A major contribution of the research is the construction of a technology index, which intended to capture the technological capability of firms. Firm-level capabilities classified into production, investment and linkage activities following the taxonomy espoused by Lall (1992). A scoring system assigned in each classification to build the index. A corollary objective of the study is to determine the factors affecting technological capabilities of firms. The study showed that firm size, engineering and technical workforce, employee training and external technical assistance have significant and positive influence on export behavior while foreign ownership and age in production showed no significant influence. A related study stressing technological capabilities and firm-level export competitiveness for East and South East Asian economies was also conducted focusing on three industries—electronics, auto parts and garments (Rasiah 2003).

The study showed that scale, human resource capability and institutional and systemic capabilities are some of the major factors that positively stimulate a firm's export performance.
The study of van Dijk (2002) attempted to determine the factors affecting export performance of Indonesian manufacturing firms. It highlighted the importance of sectoral variation in determining export activities and concluded that relative size, foreign ownership and age were significant factors across all sectors while skilled labor differs according to the industry, which the firm belongs. The study also demonstrated that research and development activities in Indonesia only benefit exports in relatively mature industries, while capital intensity does not influence export behavior in scale-intensive firms.

Abrenica and Tecson (2003) analyzed the technological underdevelopment of the Philippine manufacturing sector, and offered an explanation why the country failed to catch up with its technologically progressing Asian neighbors. The paper debunked some of the "known facts"

about the country like (1) dominance of high-technology industries, (2) reliable pool of human resource, and (3) attractive site for foreign investors anchored on educated and English-speaking labor force and generous government incentives. By providing an alternative way of looking at the same statistics, the study showed that the country's failure to catch up rested on its weak ability to absorb and assimilate knowledge and technology. While most firms have adopted an outward orientation strategy, its weakness in technological capacity was traced to policy neglect. The study recommended setting a national agenda that will help define the technological path of the country. Complementing this strategy is to upgrade the technological and physical infrastructure that will ensure the smooth and fast flow of communication across sectors. Of equal importance is the rehabilitation of the deteriorating educational system that would not only meet industry skill requirements, but will also produce a critical mass of engineers and scientists who will conduct R&D activities in the future.

According to another study made by the unpublished MBA research of Birkinesh Gonfa, 2012, on "Competitiveness of Ethiopian Shoe Industry: Response to Export Market". The main purpose was to find the factors that are impediments to competitiveness of the shoe industry at firm level and to find out the peculiar problems of shoe manufacturing in the export activities.

Concepts of competitiveness and measures have discussed. The Porter diamond model was chosen to analyze the firm level competitiveness. The result depicts that the very low status of competitiveness of the Ethiopian shoe industry. At the firm level, all the determinants of competitiveness (factor conditions, related and support industries, firm structure, strategy and rivalry, Demand conditions) are found to be insignificant. Among the factors, related and supporting industries and factor conditions mainly limit the firms from utilizing their cost advantage to sustain market share in the domestic as well as on the international market.

From the above mentioned empirical finding, the researcher can conclude that determinant factors of competitiveness have generated varied results ranging from those supporting a positive relationship among the variables used in the study of those opposing it. Therefore, in this study if was initiated to identify the effects of determinants the export competitiveness of leather export industry in Addis Ababa, Ethiopian. Since they are directly or indirectly contribute to the

competitiveness. In addition to the causes of those determinant factors or main problems will also be seeking to reach a tenable conclusion.

2.6. Internal and External Determinant of Export Competitiveness

Determinants of export competitiveness are divided into external and internal factors (UNCAD 2004). External factors were associated to market access conditions. Where as the internal factors, the most grave determinant is the supply-side challenges. Supply conditions are fundamental in defining the export competitiveness of the country's economy. Countries with better supply conditions have predictable to export more and more. Supply capacity influenced by access to raw materials, spare parts and factor related to costs such as capital, Labor and other resources. In addition to resource endowment, economic policy, the institutional environment and other concerned stakeholders support also affect the supply capacity of the country.

The internal/external divide corresponds to the two theoretical approaches underpinning majority of the empirical research of export competitiveness the resource-based view of the firm and the contingency theory. The studies identifying the internal factors, which are grounded in the resource-based view, approach, and assume that the firm's export competitiveness is under the control of the firm and its management. The resource-based view proponents suggest that the exploitation of distinctive, immobile strategic resources owned or controlled by a firm is its source of superior performance (Zou and Stan, 1998; Katsikeas et al, 2000; Sousa et al., 2008).

External determinants have maintained by the industrial organization theory. In contrast, the industrial organization theory argued that the external factors determine the firm's strategy, which in turn determines economic performance (Scherer and Ross, 1990). The logic is that the external environment imposes pressures to which a firm must adapt in order to survive and prosper (Collis, 1991). Following the industrial organization theory, the external factors and firm's export strategy are the primary determinants of export competitiveness.

2.6.1. Internal Factors/determinant of export competitiveness of leather industry

The internal factors are basic for the company and naturally allied with inadequate organizational resources for export marketing activities. Problems related to meet international market quality standards (Czinkota, M.R. and Rocks, D.A. (1983), problems related to shortage of skilled labour force, unavailability of technology in the company, poor managerial capability of the company's (Yang *et al.*, 1992) and the inability to finance exports are the internal factors. Internal Factors /determinant of export includes quality, skilled labour force, tecnology, managerial competency and capital(Cavusgil & Zou (1994) and Tesfom *et al. (*2006) and each has been discussed in more detail below.

2.6.1.1 Quality

Quality is a major serious situation for entering and remaining in the international markets for a long period of time. It includes establishing proper design, meeting international market quality standards, packaging and build an image for international market, buyers (Christensen & Da Rocha, 1994). There are many quality standard problems occurred in Africa, especially in the less developed countries. According to Lall (1991), a product that sells well in a developing country may not sell at all in the developed country. The majority of the quality problems are the result of lack of skilled labour on product characteristics and production technologies. In line with this view, Figueiredo and Almeida (1988) and Cardoso (1980) mentioned that poor product quality and high sensitivity of products to fashion were serious problems for Brazilian exporters.

In support of this idea, manufacturers in countries for instance; Venezuela, Argentina and Chile were facing product quality problems (Agarwal, 1986). Christensen *et al.* (1987) showed that lack of attention on research and product service and quality characterize the profile of Brazilian firms that eventually come to close exporting. As low value added, product marketers faced direct competition from any marginal cost rival that bursts on the scene.

2.6.1.2. Skilled Labour

Skilled labour is also the most key determinants of a firm's/industry export competitiveness, since higher skilled labour is associated with higher labor productivity, which will influence a firm's/industry export competitiveness. Roper and Love (2002) also identified determinants of the export competitiveness of the Irish manufacturing sector over the period 1996 to 1999. They found that plants with more highly skilled workforces, especially more graduate employees, they are likely to become more successful in export competitiveness. Dueñas-Caparas (2006) found that skilled labour, as measured by the share of skilled workers to total workers, has a significant determinant and positive effect on the export competitiveness of firms in the Philippine food processing sector, but insignificant results were found in the clothing and electronics sectors.

2.6.1.3. Capital

Capital is main problems of export competitiveness, which indicated an industry's capacity to combine inputs to generate value added products. Financial resource deals with the ability to access cash and capital (Ling- Yee, L., & Ogunmokun, G.O. 2001). The resource-based theory suggests that export financing plays a very important role for exporting firms to perform well and compete in international market. The accessibility of working capital in order to meet costs related to the purchase and producers of exportable goods as well as cover pre-shipment costs and unexpected difficulties. Better industrial export activities require high liquidity and working capital (Yaprak, 1985). According to world banks (2007), enterprise investigation only 17.7 percent of Pakistani firm's surveyed responded access to finance as a main limitation, as compared to 33.4 percent in other South Asian countries and 29.7 percent across 135 countries.

As indicated in other studies, the capability of financial resources presents little organizational activities and an overall weak positive relationship with financial performance (Anna Kaleka, 2012; Levinthal, 1997). Capital intensity that gives a competitive advantage to a firm through the production of technology or improved quality products, on the other hand, gives a negative relationship with export performance of Indian firms (Kumar and Sidhratha, 1993). But to the contrary (Bernard and Wagner, 1996) have found that firms in Germany exhibit positive influence of capital intensity on export competitiveness.

2.6.1.4. Information Technology and R&D

The quality of the product is determined by many problems, among this the first one is a machine or technology. Particularly in the case of exports, the firms' competitiveness depends on access to technology (Taneja, 2012). A study conducted in Lao pointed innovations (product and production process innovations) are important factors in determining export competitiveness and hence, firm profitability (Kongmanilaa & Takahashi, 2009). There is a positive relationship between information technology and firms' ability to achieve greater flexibility in leather and leather product designs and to manufacture international quality products. The intensity of implementation of Information Technology (IT) was the most important determinants of the export competitiveness of industry (Lal, 1999). Contrasting to many of the findings one-research study found that technology based factors did not have any effect on the export competitiveness of Indian firms in the international market, supporting the view that the Indian leather and leather product industry focused more on cheap products than premium product category (Abraham & Sasikumar, 2011).

2.6.1.5. Managerial Competency

Managers should create the situation necessary for the relationship building needed for knowledge creation by providing time, space, attention, and opportunities. Management can provide physical space such as meeting rooms, cyberspace such as a computer network, or mental space such as common goals to foster interactions. Moreover, it found that when organizations used their preserved knowledge through structured periodic activities, they intensified their knowledge (Katila and Ahuja, 2002).

More intense competition in the firm's market positively correlated with best-practice management. Additionally, management practice scores are lower when the firm is family-owned and primogeniture determined the current CEO's succession, i.e., he is the eldest son of the firm' founder. Interestingly, primogeniture's tie to productivity is not about family ownership. In fact, family ownership in isolation positively correlated with good management (Bloom and Van Reenen (2007).

2.6.1.6. Marketing strategy

Obviously, the strategy has formulated in order to provide superior customer value. While formulating marketing strategies, the 4-ps directed toward the target market like Product, Price, Distribution, (Place), Promotion and Service (Kotler, 2004). As the firms in a developing country like Ethiopia are likely to be smaller in export experience than developed countries, these firms are likely to use a number of intermediaries to reduce their cost and risk to sell their products in the external market. Through export intermediaries, the exporter firms can gain access to the international markets without having to incur the costs associated with measures such as searching for new markets, developing a knowledge base of foreign market, costs associated with developing trust and credibility with customers in external markets, monitoring contracts to ensure performance (Rosson and Ford 1982; Cavusgil 1983).

Earlier research done by (Aaby and Slater 1989; Cavusgil and Zou 1994; Francis and Collins-Dodd 2000) has found that distribution strategies, including the use of intermediaries and strategic partnerships, related to export commitment. Moreover, committed exporting is dependent on ongoing distribution arrangements and frequent visits to foreign representatives as per the research done by (Beamish, Craig and McLellan 1993).

2.7. External Factors /determinant of export competitiveness of leather industry

The external factors are those, which are not controllable by the organization itself. Many researchers agree that the cause of a significant number of export competitiveness factors is entrenched in the external environment. According to Tesfom *et al*. (2006) the character of external export competitiveness factors tends to classify as exchange rate fluctuations, distinctive foreign consumer preferences, shortage of hard currency, fierce competition, the imposition of tariff barriers and regulatory import controls by overseas governments. The external export factors include are classified into raw material availability, government regulation and incentives, infrastructure and industry and institution linkage problems and each as presented below.

2.7.1 Raw Material

If a manufacturing industry has effective control over the supply of raw materials, parts and components needed to produce exportable products, then we can say the production and competitiveness is continuous. Moreover, the most important contributor to the final cost of most of the products is the raw material cost. The firms usually face the dilemma of cost or quality. It's well known that the cost and quality has a direct relationship, but the inverse relationship value addition. The value of the product can be enhanced by either reducing the price or increasing the cost. Sometimes the cost and availability of raw material (Lal, 1999) are very much affected by the price and availability of substitutes.

2.7.2. Government Regulations and Incentives

Government regulation and incentives assistance, in the form of financial support (e.g. Tax holidays, duty free privileges for importation of machinery and equipment, Credit assistance, reduced Import tax on raw materials and accessories) and non-financial support (e.g. Management and technical assistance, and training support). The coefficient estimates of the government support variable had found to be positive in a number of studies. For example, Wu and Cheng (1999) studied determinants of the export competitiveness of China's township-village enterprises, and found that government financial support contributes positively towards the international competitiveness of township and village enterprise's export competitiveness.

2.7.3. Industry and Institution linkage and Support

Salam, 2012 was suggested that businesses should combine, their resources into a business alliance through their supply chain in order to meet customers' needs and generate competitive advantages. It is not essential for firms to compete with each other, but instead form alliances to help support each other and create networks for business growth expansion, which leads to increased sales. The alliance mod by specific groups within the international leather and leather product industry includes domestic and foreign agents' retail and wholesale shops with internal commerce capabilities that have clear contact terms and conditions as well as formation of networks with customers (Rujithamrongkul, 2005).

The study presented to the African economic conference by (Rahel Abebe, 2007) on the topic, AGOA: The Case of Ethiopia leather sub-sector, has extensively addressed the problems faced by the Ethiopian leather and leather product industries in utilizing this privilege as lack of coordination and trust on the leather and leather product producers to work together and lack of coordination between industries and relevant trade bodies.

2.7.4. Infrastructure

Firms' operator from a developing country like Ethiopia would also be required to take into account the uncertainties because of poor infrastructure in the system. To be competitive in the present liberalized business environment, a domestic enterprise needs world class and cost-effective infrastructure. Better roads, better connectivity, modern airports and railways, efficient ports and affordable and reliable power are all the basic requirements for a competitive economy. Non-availability of the same could result in costs to a firm because of needs such as maintaining inventories at various stages of the work-in progress and the need of excess liquidity to meet such unavoidable transaction costs on account of an underdeveloped system.

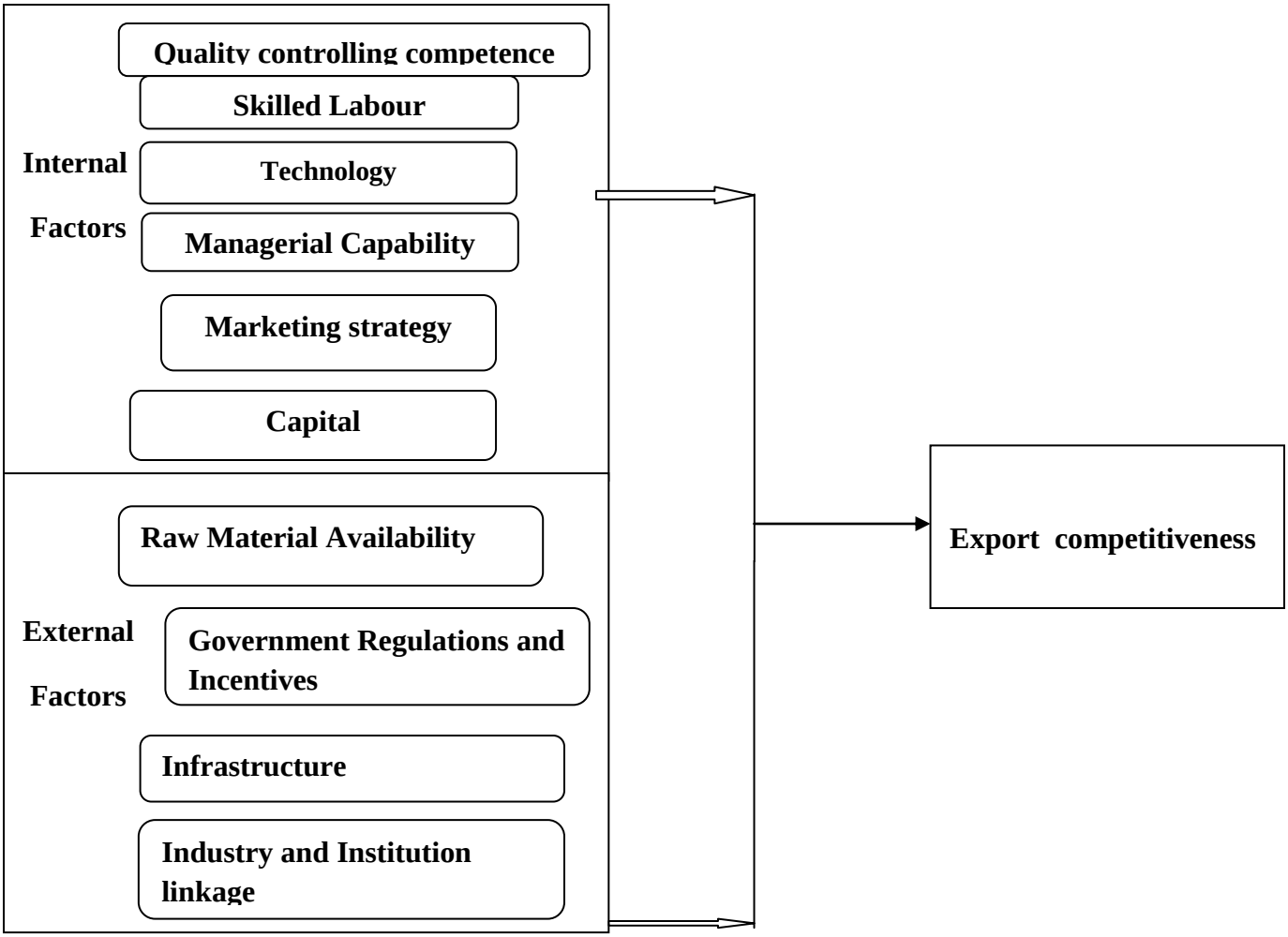
Most African countries, many of which are LDCs, are characterized by poor transport infrastructure to be poor export competitiveness (UNCTAD, 2004).

2.8. Conceptual Framework of the study

Conceptual framework means that concepts that relate to one another, used to explain the study objectives. While export competitiveness influenced by both internal and external factors, leather and leather product industry heads needs to understand what influence the firm/industry to reach more competitiveness. The external factors include Government regulations and incentives, infrastructure, Marketing strategy and an Institutional and industries relation and support. Inspecting the influence of these factors to the firm competitiveness is very important and it has an effect if it is not managed properly (Wanjiku, 2009). Nevertheless, these factors must closely monitor to ensure that stringent measures have been taken within the best time to either take advantage of the opportunities or combat the threats that exist in the external environment.The internal determinant factors that influence the firm's competitiveness classified as quality, skilled labor, capital, information technology and R&D and Management capabilities.

To align the conceptual framework with the research objectives, export competitiveness was the dependent variable, whereas quality, Skilled Labour, capital, information technology and R&D, management capabilities, government regulations and incentives, infrastructure, marketing strategy, institutional and between industries relation and support factors was the independent variables.The relationship can be expressed and shown as below.

Figure 1: The Conceptual framework of the determinants of export competitiveness



Source: - Depicted by the researcher based on literatures reviewed

The above Figure 1 showed that, the conceptual framework of the study which includes both the internal and external factors. The internal factors comprise six sub factors like quality, skilled labour, technology, managerial capability, capital and marketing strategy. The external factors include four determinant factors such as raw material availability, government regulation and incentives, infrastructures and industry and institution linkage.

CHAPTER THREE

RESEARCH DESIGN AND METHODS

This chapter explains in detail the general descriptions of the study area, the research design; target population and sampling of the study; data type and sources, qualitative and quantitative data collection methods; and method of data analysis.

3.1. Descriptions of the Study Area

This research was conducted to determinants of export competitiveness of leather and leather product export companies located in Addis Ababa City Administration. Addis Ababa, the capital city of the Federal Democratic Republic of Ethiopia, is located in the center of the country.

Addis Ababa is an official diplomatic capital of Africa with more than 90 Embassies and consular representatives, which makes it the fourth diplomatic center in the world. It is also home to the African Union, the Economic Commission for Africa and other international organizations. It's situated in central Ethiopia at an elevation of about 2600-3200 m (about 8000 ft) above sea level. According to CSA (2010), Addis Ababa has a total of 54,000 hectares and 2,739,551 million populations,3.4% of the population of Ethiopia. It also represents about 26% of the urban population of Ethiopia. Addis Ababa has an aggregate population density of 4,847.8 persons per square kilometer. For administration purposes, Addis Ababa divided into 10 sub cities. Such as Addis Ketema, Akaki Kaliti, Arada, Bole, Gulele, Kirkos, Kolfe Keraniyo, Lideta, and Nefas Silk sub-cities. Over the past years, the city of Addis Ababa has witnessed with an amazing expansion in size.

3.2. Research Approach

In the current study, a mix of both quantitative and qualitative research approaches were applied.

3.3. Research Design

The current study was employed descriptive and explanatory research design. Explanatory research design identifies cause and effect of an event. It is the first choice to deal with the nature of the relationship between the dependent and independent variables with the help of testing hypothesis which gives understanding about the relationship between variables (Babbie&

Mouton, 2010). Therefore, this study used explanatory research design since the main aim of the study was to examine the determinant factors of competitiveness of leather export industries by exploring the relationship between competitiveness, and independent variables (raw material, quality, labor, capital, information technology, R&D, management capabilities, government regulations and incentives, infrastructure, marketing strategy, institutional, industries relation).

3.4. Target Population

The total population of the study area is 340 heads of leather industry firms who are the five top heads of 68 leather manufacturer and export companies living in Addis Ababa (Source: Leather Industry Development Institute (LIDI), 2015/16).

3.5. Sample and Sampling Technique

A multi-stage sampling technique was employed in this research. The clusters were formed, as the leather industry firms are geographically detached. From each cluster, sample firms have taken. Hence, firms were selected using stratified and systematic random sampling out of the existing firms that comprise of 68 leather industry firms. Its five heads were represented a leather industry firm. The five respective heads of a leather industry consist of the owner / manager, marketing, quality, finance and human resource managers. The total population of the study was 340 as a sampling frame. Hence, a sample size of 184 of head of leather industry firms was taken to get a reasonable sample size using (Yemane, 1967) sample size determination formula.

Assumptions: A **95%** confidence level, and **e = ±5%**

$$n = \frac{N}{1+N(e)^2}$$

$$n = \frac{340}{1+340\,(0.05)^2}$$

$$n = \underline{184}$$

Where

n = the sample size

N = the population size

e= the level of precision (Sampling error).

In selecting these samples of 184, stratified sampling was used in which the districts were categorized in their gender strata as female and male head of leather industry firms to give equal chance to each of the strata. From each district, heads of leather industries was selected using a systematic random sampling technique by taking every 2nd from the list of respondents of the using N/n formula. Ethiopian leather industry development institute and the ministry of trade, government experts' purposive sampling were applied. Two heads and two government experts were selected on purposive sampling for qualitative aspect. In total four, two government experts from the Leather Industry Development Institute (LIDI) and Ministry of Trade (MoT) and two heads from the Ethiopian Leather Industry Association (ELIA) was purposely taken and interviewed since the researcher believes that they know the subject matter better than others because of their day–to-day contacts with headings of leather industry firms and activities of leather industry.

3.6. Data Type and Source

The necessary data for this study is collected from both primary and secondary sources. According to Kothari (2004), Primary data are fresh data that are gathered for the first time and thus happened to be original in character. Louis, Lawrence and Morrison (2007), describes primary data as those items that are original to the problem under study while Ember and Ember (2009). Describe primary data, as data collected by the investigator in various field sites explicitly for a case study.

3.6.1. Primary Sources

In order to realize the target, the study were employed well-designed questionnaire as the best approach. It was completed by the head leather industry firms. Besides, face-to-face interviews with the head of the ministry of industry, leather industry development institute (LIDI), and the Ethiopian Leather Industry Association (ELIA) and government experts in the selected area was conducted using semi-structured interview guide. The interview method of data collection was preferred due to its high response rate that it enabled the head of firms and government experts on export competitiveness to get details of information on the questions and answers replied.

Through interviews, clarification of issues was easily being achieved leading to accuracy of data from the respondents to triangulate the items in the questionnaires.

3.6.2. Secondary Sources

Ember and Ember (2009) describe secondary data as data collected by others and found by the different researcher in ethnographies, censuses and histories. For this study report, documents, pamphlets, office manuals, circulars and policy papers were used to provide additional information where appropriate. Besides, a variety of books, journals, articles, published and/or unpublished government documents, websites, reports and newsletters was reviewed to make the study meaningful.

3.7. Data Collection instruments

In this study Closed-ended questionnaires were prepared on the basis of the determinant factors of competitiveness of Ethiopian leather industry by exploring the relationship between competitiveness and independent variables (raw material, quality, labor, capital, information technology, R&D, management capabilities, government regulations and incentives, infrastructure, marketing strategy, institutional, industries relation). Thus, closed ended questionnaires were helped to avoid pressure upon the respondents in any direction and better be able to obtain the required data in the study area.

The questionnaire was divided into two sections. The first section contained the general information of the respondents were requested to provide information about their age, gender, education level and positions. The second section of the questionnaire was designed to enable the researcher to gather information about the determinant factors affecting competitiveness of Ethiopian leather export. For all questionnaires included in section two, the respondents were requested to indicate their feeling on a five point Likert scale type to measure weighted as follows: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, and 5= strongly agree. But, while making interpretation of the results of frequency, mean and standard deviation the scales are reassigned as follows to make the interpretation easy and clear. 1 - 1.8= Strongly Disagree, 1.81 – 2.6 = Disagree, 2.61 – 3.4= Neutral, 3.41 – 4.20= Agree and 4.21 – 5 = Strongly Agree .

3.8. Reliability Tests

The reliability test is an important instrument to measure the degree of consistency of an attribute which is supposed to measure. As stated by Mahon and Yarcheski (2002) the less variation of the instruments produces in repeated measurements of an attribute the higher its reliability. Reliability can be equated with the stability, consistency, or dependability of a measuring tool.

Cronbach's alpha is one of the most commonly accepted measures of reliability. It measures the internal consistency of the items on a scale. It indicates that the extent to which the items in a questionnaire are related to each other. It also indicates that whether a scale is one dimensional or multidimensional. The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability, but the most commonly accepted value is 0.70 as it should be equal to or higher than to reach internal reliability (Hair et al., 2003). Thus, for this study, a Cronbach's Alpha score was .78 which indicate higher internal reliability and increases the quality of the research.

Table 3.1. Reliability Statistics of leather competitiveness

Cronbach's Alpha	N of Items
0.785	10

Source: Own survey result (2018), SPSS output

3.9. Validity Analysis

Validity is the extent to which differences found with a measuring tool to reflect true differences among respondents being tested. The purpose of validity of the study has been to seek relevant evidence that confirms the answers found with the measurement device which is the nature of the problem. The items are revised and improved according to the employee's, expertise and advisors' comment.

In order to test the construct validity, the correlation coefficient for the independent and dependent variables were calculated. As per the result of the correlation analysis, the ten determinant factors measuring competitiveness were positively related to competitiveness (Table 4.3). Since the independent variables are positively related with the dependent variables, the independent variables can be considered as a good measure of competitiveness.

3.11. Inclusion and Exclusion Criteria

The study was included owners/managers; marketing (expert), quality(expert), finance (expert), and human resource managers (expert) of the existing leather and leather product industry firms and exclude other lower level staff due to time and resource limitation.

3.12. Study Variables

In this study, raw material, quality, labor, capital, information technology, R&D, management capabilities, government regulations and incentives, infrastructure, marketing strategy, institutional, industries relation, and support factors were the independent variables and export competitiveness was the dependent variable.

3.13. Data analysis techniques

The data analysis was made by using both descriptive and inferential statistics. Descriptive statistics such as frequencies, percentages, means and standard deviations were used to summarize and present the data. In addition to this, Pearson correlation coefficient was used to show the interdependence between the independent and dependent variables. With regard to inferential statistics, regression analysis was used to test the significant contribution of each independent variable to the dependent variable competitiveness.

Considering different model developed for reviewed literature on competitiveness, such as (Jordi Perramon,2008), (Leo Wang et.al. 2005), (József Tóth, 2005) and by taking all explanatory variables into consideration, the equation for the study formulated as follows.

$$EC = \alpha + \beta 1\,(Q) + \beta 2\,(SL) + \beta 3\,(IT) + \beta 4\,(MC) + \beta 5\,(RM) + \beta 6\,(GR)\, e + \beta 7\,(I) + \beta 8\,(MS) + \beta 9\,(IN) - \beta 10\,(C) + lm$$

Where:

C: competitiveness (measured by export earnings), α: constant term of the regression, Q: Quality, SL: Skilled Labour, C: Capital, IT: Information Technology and R&D, MC: Managerial Capability, R: Raw Material, G: Government regulations and incentives, I: Infrastructure, M: Marketing strategy, IN: Institutional, β1, β2, β3, β4, β5, β6, β7, β8, β9, β10, was coefficients of the independent variables.

β1……β10: Coefficient of independent variables,

lm: leather manufacturer

3.14. Regression model assumptions

Multiple regressions are one of the fussier of the statistical techniques. It makes a number of assumptions about the data, and it is not all that forgiving if they are violated. Therefore the researcher tested whether the study satisfies the assumptions. To diagnosis collinearity two values, Tolerance and VIF are important. If the tolerance value is very small (less than .10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. The other value given is the VIF (Variance inflation factor). VIF values above 10, indicating multicollinearity. However, the result of this study as it indicated in (**Appendix 2 C**) the tolerance value for all independent variables is greater than .10; therefore, we have not violated the multicollinearity assumption. This is also supported by the VIF value, which the value for all independent of variables is less than 10.

The study also tested the assumption of normality, linearity and homoscedasticity. These assumptions are checked from the residuals scatter plots which are generated as part of the multiple regression procedure.

Based on the result of (**Appendix 2D**) the residuals are normally distributed about the predicted dependent variable scores (indication of normality); the residuals also have a straight-line relationship (**Appendix 2E**) with predicted dependent variable scores (indication of linearity); and the variance of the residuals about predicting dependent variable scores (**Appendix 2F**) are the same for all predicted scores (indication of homoscedasticity). These indicate that all of the assumptions are satisfied.

3.15. Ethical Considerations

An official letter from Addis Ababa University was offered by the district administration and the researcher has secured consent from the concerned sector office. The respondents/head of leather industry/were participated in this research voluntarily. They were given adequate information regarding the purpose of the study and were expressed their consent verbally. Arrangements were made to keep the dignity and freedom of each participant. Participants were assured that the information they provide were confidential and did not disclose to anyone else, including their competitors, government bodies, schools, and vicinities.

CHAPTER FOUR

RESULTS AND DISCUSSION

Here the results and discussion part of the study has been presented in different parts in line with the research questions. The first part focuses on the background information of the respondents and descriptive statistical analysis of the dependent and independent variables with discussion of its output such as the mean and standard deviation and the second section, correlation analysis and its discussion of correlation coefficient were carried out. In the last section of the chapter, multiple regression was run and its outputs were discussed and also testing of hypotheses was presented. To analyze the collected data in line with the overall objective of the research undertaking, statistical procedures were carried out using SPSS version 23.

4.1. Background information of study participants

In this section variables that shows demographic and socioeconomic characteristics of respondents were presented, including sex, age, education and years of service with their frequencies and percentages in the sample.

Table 4.1. Demographic Characteristics of Study Participants (N=184)

Characteristics	Description	Frequency	%
Sex	Female	21	11.4
	Male	163	88.6
Age	18-40	164	89.1
	41-60	19	10.3
	<60	1	0.5
Marital status	Single	32	17.4
	Married	121	65.8
	Divorced	31	16.8
Education	Diploma	23	12.5
	First degree	133	72.3
	Masters	28	15.2
Years of service	5 years	84	45.7
	5-10 years	36	19.6
	10-15 years	55	29.9
	<15 years	9	4.9

Source: Own survey result (2018), SPSS output

In the sample survey, 184 respondents were selected. The researcher was able to get back one hundred –eighty four (184) all questionnaires were filled up and returned making the response rate 100 percent. The sex of the participants in the study consisted of 21(11.4%) female and 163 (88.6%) male. This shows that the majority of the respondents were males as they are involved in the leather sector. Age of the respondents in the sample, out of 100%, 164 (89.1%) are between 18-40 years of age, 19 (10.3%) of being between 41-60 and the remaining 1 (0.5%) respondent is greater than or equal to 60. From the result we can say that the significant majority of respondents were well matured. The frequency of the marital status of the respondents are 121 (65.8%) were married, 32 (17.4%) are single and the other 31 (16.8%) are divorced. When we see the frequency of the educational status of respondents was 133 (72.3%) of the respondents holds first degree, 28 (15.2%) from the sample area holds master degree and 23 (12.5%) respondents are holding a diploma. This shows that, the majority of respondents which are participating in the study were well educated and have the ability to understand the questionnaire easily.

The frequency of working experience in the leather industry was 9 (4.9%) of respondents are above fifteen, the remaining 55 (29.9%) respondents are between 10-15, 36 (19.6%) are between 5-10 and 85 (45.7%) of the respondents as they had five years of experience in the leather industry.

4.2. Determinants of Leather Industry Competitiveness in the international markets

In this sub-topic descriptive statistics, interpret in the form of mean and standard deviation were presented to illustrate the level of agreement of the respondents. The responses of the respondents for the variables were measured on a five point Likert scale: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree.

Raw material, infrastructure, government regulation and incentives, marketing strategy, leather quality standards, Industry and Institution linkage, Skilled labour, Capital, Information Technology and R&D, Managerial capability are the major factors raised by literatures as companies' competitive advantage.

Table 4.2: Descriptive Statistics of leather industry export competitiveness

Variables	N	Mean	Std. Deviation
Raw material	184	1.460	0.383
Government regulation	184	1.389	0.546
Infrastructure	184	1.369	0.511
Marketing strategy	184	1.583	0.659
Industry and Institution linkage	184	1.502	0.609
Quality	184	1.692	0.342
Skilled labour	184	1.467	0.376
Capital	184	1.531	0.538
Information Technology and R&D	184	1.806	0.349
Managerial capability	184	1.679	0.384
Valid N (listwise)	184	1.487	0.244

Source: Own survey result (2018), SPSS output

Table 4.2 shows that the descriptive result of heads of leather and leather product industry/firms (owner/general manager, marketing, finance, production and quality manager) response towards the variables (Raw material, Government regulation, Infrastructure, Marketing strategy, Industry and Institution linkage, Skilled labour, Capital, Information Technology and R&D, Managerial capability) using the mean and standard deviation.

As it can be seen from the above table the results of all the variables are falling between the range of 1.37 and 1.81 and it means that respondents magnifies they are strongly disagreeing. Majority respondents mean result confirmed that availability of raw material (M=1.46), government regulation and incentives (M=1.39), accessibility of infrastructure (M=1.37), marketing strategy (M=1.58), linkage between firms and institution (M=1.58), quality of final products (M=1.69), availability of skilled labour (M=1.47), capital (M=1.53), Information Technology and R&D (M=1.81) and managerial capability (1.68). This result shows that the respondents agree with the unavailability of the above mentioned factors are the reason for the less competitiveness of the Ethiopian leather industry in the international market. The overall mean of variables as revealed the mean value of 1.55.

4.3. Correlation Analysis

A Pearson correlation test was conducted to know the degree of determinant factors of competitiveness of leather industry in Ethiopia. Correlation measures the strength of the linear relationship between two variables. Thus, Pearson's correlation is used to identify whether there are relationships between the variables and to describe the strength and the direction of the relationship between two variables. According to Berndt et. al (2005), the level of association as measured by Pearson's co-efficient falls between -1.0 and +1.0, which indicates the strength and direction of the association between the two variables. The interpretation of the result is as follows; a correlation result between 0 to 1 implies positive relationship, 0 (zero) for no relationship, 1 for perfect positive relationship, -1 for perfect negative relationship and between -1 to 0 indicate the existence of negative relationships. Based on the questionnaires which were filled by the respondents of leather manufacturers and exporters industry in Ethiopia the results of the correlation analysis between these variables are shown in table 4.3 below.

Table 4.3: Relationship Matrix between determinant Factors and Competitiveness

	RM	GR	I	MS	IN	Q	SL	C	IT	MC	EC
Raw material	1										
Government regulation	-0.005	1									
Infrastructure	.284**	.508**	1								
Marketing strategy	-0.045	.776**	.523**	1							
Institution support	0.116	.413**	.803**	.646**	1						
Quality	.166*	.168*	.229**	.271**	.230**	1					
Skilled labour	.772**	0.144	`	-0.021	.161*	.196**	1				
Capital	0.072	0.069	.201**	0.095	.155*	0.128	.160*	1			
Technology	-0.011	.412**	.516**	.825**	.685**	.378**	0.022	.212**	1		
Managerial capability	0.113	0.078	0.103	`0.071	0.006	.546**	0.119	.176*	0.125	1	
Competitiveness	.486**	.295**	0.109	.203**	0.017	.277**	.417**	.221**	.239**	.307**	1

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

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

According to Table 4.3 the coefficients indicated that all factors measuring competitiveness were positively related to competitiveness. All of the independent variables (raw material, marketing strategy, managerial competency, government regulation, quality, capital, technology, infrastructure, skilled labour, institution and industry linkage) showed a moderate level of positive relation with the dependent variable (competitiveness).

Concerning the relationship between the independent variables, Table 4.3 clearly shows that figures with the symbol "**" indicate that each of the variables are significantly correlated with each other at a significance level of $p<0.01$. The relation between raw material is not significant with government regulation (p=0. 0.944), with marketing strategy (p=0.548), with institutions (p=0.117), with capital (p=0.329), with information technology(p=0.878) and with managerial capability (p=0.127).

The Quality is significantly correlated with raw material, with government regulation, with infrastructure, with marketing strategy, with institution and industry linkage and with information technology at $p< 0.01$, at a large level with most of the variables.

4.4. Multiple regression analysis

In this sub topic the study tried to examine the variance predicted by selecting determinant factors in leather industry's competitiveness in Ethiopia.

Table 4.4: Model summary

			Adjusted		Change Statistics				
Model	R	R Square	R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	. 793[a]	0.629	0.608	0.15257	0.629	29.352	10	173	0.000

Source: Own survey result (2018), SPSS output

a. Predictors: (Constant), COMP_MC, COMP_Q, COMP_C, COMP_RM, COMP_IN, COMP_GR, COMP_IT, COMP_MS, COMP_I, COMP_SL

Table 4.4 shows that the degree level of variance in the measure of competitiveness is presented

by the underlying determinant factors of competitiveness. The predictor variables have accounted for 62.9% (adjusted R square of 60.8% with estimated standard deviation .15257) of the variance in the criterion variable. The other 37.1 % are presented by other variables out of this model.

As the significance value of F statistics shows a value (.000), which is less than $p<0.05$, the model is significant. This indicates that the variation explained by the model is not due to chance.

Table 4.5: ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.832	10	.683	29.352	.000[b]
	Residual	4.027	173	.023		
	Total	10.859	183			

Source: Own survey result (2018), SPSS output

Predictors: (Constant), COMP_MC, SDa, SDp, SDy, COMP_IT, SDg, COMP_RM, SDm, SDe, COMP_GR, COMP_SL, COMP_C, COMP_I, COMP_IN, COMP_Q, COMP_MS

The above table 4.5 shows that the significance value of F statistics value is (. 000), which is the p- value is less than 0.05, thus the model is significant.

Table 4.6: Internal factors Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.080	.112		.718	.474		
	Marketing strategy	.296	.036	.466	8.291	.000	.891	1.123
	Quality	.076	.037	.115	2.037	.043	.888	1.126
	Skilled labour	.233	.052	.260	4.452	.001	.826	1.210
	Capital	.003	.028	.006	.104	.918	.858	1.166
	Information technology	.154	.030	.292	5.119	.000	.862	1.161
	Managerial capability	.088	.035	.139	2.514	.013	.914	1.094

a. Dependent Variable: COMP_EC

Source: Own survey result (2018), SPSS output

Table 4. 7: External factors Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.524	.104		5.016	.000		
	Raw material	.295	.037	.464	7.893	.000	.987	1.014
	Government regulation	.102	.029	.230	3.588	.001	.830	1.205
	Infrastructure	.085	.045	.122	1.901	.059	.822	1.217
	Industry and Institution linkage	.140	.038	.221	3.738	.000	.971	1.030

Source: Own survey result (2018), SPSS output

a. Dependent Variable: COMP_EC

The level of impact of each internal and external independent variable crate on the dependent variable can be examined by unstandardized Beta coefficient. The regression coefficient explains the average amount of change in the dependent variable that caused by a unit of change in the independent variable. The larger value of Beta coefficient that an independent variable has, brings the more support to the independent variable as the most important determinant in predicting the dependent variable.

According to Table 4.6 and 4.7, the regression unstandardized coefficients for the six independent variables from internal factors (marketing strategy, skilled labour, technology, managerial competency and quality) are 0.296, 0.233, 0.155, 0.088 and 0.076 respectively. Their significance levels are 0.000, 0.001, 0.000, 0.013 and 0.043 respectively, which are less than 0.05. Where as from the external the regression unstandardized coefficients like raw material, government regulation and Industry and Institution linkage 0.295, 0.102 and 0.140 and their significance level are 0.000, 0.001 and 0.000 respectively. This indicates a significant relationship between them and the dependent variable competitiveness.

The regression model employed in this study was the following

$$EC = \alpha + \beta 1\,(Q) + \beta 2\,(SL) + \beta 3\,(IT) + \beta 4\,(MC) + \beta 5\,(RM) + \beta 6\,(GR)\, e + \beta 7\,(I) + \beta 8\,(MS) + \beta 9\,(IN) - \beta 10\,(C) + lm$$

4.5. Testing of hypotheses

The hypothesis testing based the regression output were discussed below:

H1:1 There is a positive and significant relationship between marketing strategy and leather industry competitiveness in Ethiopian.

The regression results of table 7 showed that marketing strategy has .296 beta coefficient and p-value .000, which indicate that marketing strategy has a positive and significant impact on leather industry competitiveness in Ethiopian. Therefore, the null hypothesis was rejected in the study because of that the marketing strategy has a positive significant impact on competitiveness. Therefore marketing strategy has a great contribution to the rise of competitiveness of leather export industry this indicated that the firm's ability to make the right strategic business decisions involves not only the best matching of its existing resources with existing market demand but also well-designed decisions on differentiating its products, searching for new markets and frequent visits to foreign buyers will positively raise. This finding is in line with the finding of Aaby and Slater 1989; Cavusgil and Zou 1994; Francis and Collins-Dodd 2000 they found marketing strategy are significantly determined and predicted the leather export competitiveness.

H1:2 There is a positive and significant relationship between quality and leather industry competitiveness in Ethiopian.

The regression results of table 7 showed that quality has .076 beta coefficients and p-value .043, which shows that quality, has a positive and significant impact on competitiveness of leather industry competitiveness in Ethiopian. Therefore, the null hypothesis was rejected in the study because of that quality has a positive significant impact on competitiveness. Therefore quality has a great contribution for the increment of leather industry competitiveness. This finding is in line with the finding of Birknesh Gonfa (2012) who founds quality Product positively affect export competitiveness of the leather industry.

H1:3 There is a positive and significant relationship between Skilled labour force and leather industry competitiveness in Ethiopian.

The results of multiple regressions, as presented in table 7 above, revealed that, Skilled labour force has .233 beta coefficients and the p- value is .001. Therefore, the null hypothesis reject in the researcher because skilled labour force has a positive significant impact on competitiveness. This significant and positive result for a firm's export competitiveness is consistent with the findings of Roper and Love (2002) who show that availability of skilled manpower are significantly determined the leather export competitiveness.

H1:4 There is a positive and significant relationship between capital and leather industry competitiveness in Ethiopian.

The results of multiple regressions, as presented in table 7 above, revealed that, Infrastructure doesn't have a significant impact on competitiveness (p=0.918). Therefore, the researcher failed to reject the null hypothesis which stated that capital has no positive significant impact on competitiveness. The finding of this study was inconsistent with the findings of (Kumar and Sidhratha, 1993) who founds out capital are significantly determined and predicted the leather export competitiveness.

H1:5 There is a positive and significant relationship between technology and leather industry competitiveness in Ethiopian.

The regression results of table 7 showed that technology has .154 beta coefficients and p-value .000, which shows that, technology has a positive and significant impact on leather industry competitiveness in Ethiopian. Therefore, the null hypothesis was rejected in the study because of that technology has a positive significant impact on competitiveness. Therefore technology has a great contribution to the rise of the leather industry competitiveness. This finding is in line with the finding of (Lal, 1999) who found out technology are significantly determined the leather export competitiveness.

H1:6 There is a positive and significant relationship between Managerial capability and leather industry competitiveness in Ethiopian.

The regression results of table 7 indicated that managerial capability has .088 beta coefficients and p-value .013, which shows that, managerial capability has a positive and significant impact on leather industry competitiveness in Ethiopian.. Therefore, the null hypothesis was rejected in the study because of that managerial capability has a positive significant impact on competitiveness. Therefore managerial capability has a great contribution to the rise of competitiveness of leather export industry. This finding is in line with the finding of Wondu (2010) who finds out Managerial competency including organizational management style are significantly determined the leather and leather product export competitiveness.

H1:7 There is a positive and significant relationship between raw material and leather industry competitiveness in Ethiopian.

The regression results of table 8 indicated that quality has .295 beta coefficients and p-value .000, which shows that raw material, has a positive and significant impact on competitiveness of leather industry competitiveness in Ethiopian. Therefore, the null hypothesis was rejected in the study because of that raw material has a positive significant impact on competitiveness. Therefore the availability of raw material at the required, demanded quantity and quality, has a great contribution to the rise of leather industry competitiveness. This finding is in line with the finding of (Mekonnen and Gezahegn, 2008) and (Gonfa, 2012) they found out that the availability of raw material are significantly determined the leather export competitiveness in the international market.

H1:8 There is a positive and significant relationship between government regulation and incentives and leather industry competitiveness in Ethiopian.

The regression results of table 8 showed that government regulation and incentives has .102 beta coefficients and p-value .001, which shows that government regulation and incentives, has a positive and significant impact on competitiveness of leather industry competitiveness in Ethiopian. Therefore, the null hypothesis was rejected in the study because of that government regulation and incentives has a positive significant impact on competitiveness. Therefore,

government regulation and incentives have a great contribution for the raise of leather industry competitiveness. This result is consistent with the finding of Wu and Cheng (1999) incentives and other subsidies finds are significantly determined leather industry export competitiveness.

H1:9 There is a positive and significant relationship between Infrastructure and leather industry competitiveness in Ethiopian.

The results of multiple regressions, as presented in table 8 above, revealed that, Infrastructure doesn't have a significant impact on competitiveness (p=0.059). Therefore, the researcher failed to reject the null hypothesis which stated that capital has no positive significant impact on competitiveness. The finding of this study was inconsistent with the findings of (UNCTAD 2004) who found out Infrastructure are significantly determined the leather export competitiveness.

H1:10 There is a positive and significant relationship between Industry and Institution linkage and leather industry competitiveness in Ethiopian.

The regression results of table 8 indicated that quality has .140 beta coefficients and p-value .000, which shows that Industry and Institution linkage, has a positive and significant impact on competitiveness of leather industry competitiveness in Ethiopian. Therefore, the null hypothesis was rejected in the study because of that Industry and Institution linkage has a positive significant impact on competitiveness. This finding is in line with the finding of (Rujithamrongkul, 2005) who found out that the Industry and Institution linkage are significantly determined the leather export competitiveness in the international market.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary

The general aim of this study was to investigate the determinants of export competitiveness of the leather industry's in Ethiopia. Both quantitative and qualitative methods were employed in order to answer the stated research questions. Socio-demographic variables, competitiveness and raw material, quality, capital, skilled labour, management capability, marketing strategy, government regulation & incentives, information technology, infrastructures, Institutional and industries relation were administered and completed by the respondents.

In order to analyze data from the quantitative method percentages, frequency, descriptive statistics, correlation and multiple Regression were employed. This means that the researcher generated ideas in accordance with the ideas available in previous quantitative approach. Based on the quantitative and qualitative data analysis, discussion of results, the following are the summary of the major findings of this study.

The result of descriptive statistics shows that the overall mean of raw material revealed the mean value of 1.46 which implies raw material is not positively contributing to Ethiopian leather export industry competitiveness. The overall mean of Government regulation has scored 1.39 indicating Government regulation is not positively influencing Ethiopian leather export industry competitiveness.

Infrastructure scored overall mean value of 1.37. This indicating infrastructure has a negative contribution to Ethiopian leather export industry competitiveness. Marketing strategy has scored overall men of 1.58 which indicate marketing strategy is not positively influencing on the Ethiopian leather industry competitiveness. Where as quality scored an overall mean 1.69 which also indicated that, quality is not positively impacting on Ethiopian leather industry competitiveness.

The remaining factors like Skilled labour, Industry and Institution linkage, Capital, Managerial capability and Technology has scored an overall mean of 1.47, 1.50, 1.53, 1.68 and 1.81

respectively. The result indicates that Skilled labour, Industry and Institution linkage, Capital, Managerial capability and Technology are not positively contributing to the Ethiopian leather industries.Correlation results revealed that all factors measuring competitiveness were positively related to competitiveness.

The results of regression analysis showed that Marketing strategy, Quality, Skilled labour force, technology, Managerial capability, raw material, Government regulation, Infrastructure and Industry and Institution linkage are the determinant factor of competitiveness with unstandardize beta coefficient value of, 0.076 0.233, 0.154, 0.088, 0.295, 102, 0.085 and 0.140.

The multiple regression result showed that the determinant factors competitiveness (Marketing strategy, Quality, Skilled labour force, technology, Managerial capability, raw material, Government regulation, Infrastructure and Industry and Institution linkage) accounted for 62.9% of the contribution for the competitiveness of Ethiopia leather industry in the international market (R^2 =.629).

5.2. Conclusion

The study aimed to investigate the determinants of export competitiveness of the leather industry's in Ethiopia and to measure the impact of ten independent variables (raw material, quality, capital, skilled labour, management capability, marketing strategy, government regulation & incentives, information technology, infrastructures, Institutional and industries relation) on dependent variable competitiveness.

The overall mean of raw material revealed the mean value of 1.46. From these results it can be can conclude that sustainable supply of raw material in terms of both quantity and quality is the critical problem of Ethiopian leather industry's competitiveness in the international market in spite of the huge livestock population the country have.

The overall mean of international standard leather quality was 1.69. From the above finding it can be concluded that meeting the international leather quality requirement is the main bottleneck problem that Ethiopian leather manufacturer are facing. Quality problem is not only causing barriers to enter new leather market destination, but also it is creating market lose due to repeated ban in the existing market destination.

The overall mean of government regulation and incentives was 1.39. From the above finding it can be concluded that government regulation and incentives are one of the factors of Ethiopian leather industry's competitiveness in the international market.

Like other Factors the overall mean of infrastructure, market strategy, Industry and Institution linkage, skilled labour, capital, Technology and managerial capability the study was 1.37, 1.58, 1.50, 1.47,1.53, 1.81 and 1.68 respectively. From the above result, it can be concluded that there is a strong limitation in the area of infrastructure, market strategy, Industry and Institution linkage, skilled labour, capital, Technology and managerial capability of Ethiopian leather industry competitiveness.

To conclude on descriptive statistics of the above variables competitiveness of Ethiopian leather industry in the international market, the cumulative mean of Ethiopian leather industry

competitiveness is 1.55. From this result, it can be concluded that since Ethiopian leather industries are not in good status of practicing important factors of competitiveness which this study considered (raw material, meeting international quality standards, capital, skilled labour, management capability, marketing strategy, government regulation & incentives, information technology, infrastructures, Institutional and industries relation), they are not competitive.

Correlation analysis indicates that all factors measuring competitiveness were positively related to competitiveness.

Furthermore, the multiple regression analysis indicated that in the Ethiopian leather export industry some of the independent variables such as factors affecting competitiveness Marketing strategy, Quality, Skilled labour force, technology, Managerial capability, raw material, Government regulation, Infrastructure and Industry and Institution linkage accounted for 62.9% of the contribution for the competitiveness of Ethiopia leather industry in the international market (R^2 =.629).

5.3. Recommendation

As the study intensely explained the competitiveness level of the Ethiopian leather industry at the industry level is low. Therefore, the study recommends the following specific points in order to solve the problems:-

The regression result (regression coefficient) showed that eight of the factors under this study have significant relation with competitiveness, the descriptive analysis showed that the eight factors (raw material, government regulation and incentives, skilled labour, information technology, industry and institution linkage, quality, marketing strategy and managerial capability) are not implemented at the desired level in Ethiopian leather export industries. This resulted indicated that, there is a limitation in Ethiopian leather export industries in competing in the international market. Thus, a lot of effort should have to be done to reverse the situation into a condition where this factor will positively contribute to the competitiveness of Ethiopian leather export industries. Therefore remedial action for proper implementation of those factors should be done so that this variable will have significant positive impact on competitiveness of Ethiopian leather export industry.

Therefore, to increase the availability of raw material in terms of both quantity and quality, the Government also should have to continually support and follow to address the problem of raw material suppliers.

Regarding to government regulation and incentives, government Introduce policies that to promote a more competitive. It is clear to give due regard to efficiency objectives, which relax regulation and update competition policy to make competition effective without compromising the stability objective. In order to mitigate managerial capability constraint of Ethiopian leather export industries which hampered competitiveness, human capacity development interventions targeting the leather and leather product processing industries should be another major intervention area. Ethiopian leather industry development institute (LIDI) should offer hands on skill development training to managers as well as employee of export firms on processing and packaging of leather and leather product.

Meeting international leather quality standards is one of the critical problems that hider Ethiopian leather export firms not only to be competitive but also to expand the new market destination. Therefore, the government should properly enforce the implementation of leather quality standards and encourage for the exercise of voluntary quality standards.

Finally, to solve both the internal and external determinant factors of export competitiveness, it is highly recommended that the government, industries and other stakeholders should work together, the organization in the sectors must create a strong and healthy relationship. For example; MoI, LIDI, MOT and ELIA where their comment to boost its contribution to countries, foreign currency earnings and the overall economic development.

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Appendix

Appendix 1: questioner

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

Degree of Masters of Logistics and

Supply Chain Management

Questionnaire to be Filled by leather and leather export companies in Addis Ababa, Ethiopia

Dear Respondent,

This questionnaire designed to collect data about the **"**determinants of export competitiveness of leather industries in Ethiopia**".** The information that you offer me with this questionnaire used as a primary data in my case study which I am conducting as a partial fulfillment for the Requirements of the Award of Degree of Masters in logistics and supply chain management. The information gathered will be used fully and with due attention for academic purpose only. I, therefore, would like to assure you that the data collected would not be misused in any way.

Finally, I would like to express my deep appreciation for your generous time, honest and prompt responses.

Kifelew Shawl

Phone: - +251-913379652

Email: - kifelewshawl@gmail.com

kifelewshawl55@yahoo.com

General Instructions

No need of writing your name

Please fill the answer by putting "√" mark

Please return the completed questionnaire as much as possible

If you need further explanation, you can contact me through the address mentioned above

PART I: Socio-demographic Information

1. Gender ☐ Male ☐ Female

2. Age ☐ 18-25 ☐ 26-34 ☐ 35-60 ☐ above 60

3. Marital status ☐ single, ☐ married ☐ divorced

4. Education level: ☐ Diploma ☐ First Degree ☐ Masters ☐ PHD

5. Your position in the organization

☐ General Manager ☐ Marketing manager ☐ Finance manager

☐ Human resource managers ☐ Quality manager

6. Years of service in the company

☐ 5 years ☐ 5- 10 years ☐ 10-15 yea ☐ more than 15 years

Part II. In the following box, there are the lists of expected "determinants of export competitiveness of leather industries in Ethiopia" Please show the factors by selecting and putting a tick mark in the box of your choice.

1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

SN	Determinant factors of export competitiveness	Strongly Disagree	Disagree	Neutral	Agee	Strongly Agree
		(1)	(2)	(3)	(4)	(5)
Raw Material as a factor						
1.1	There is an adequate supply of locally produced raw materials					
1.2	Your organization gets sufficient raw materials of demanding quality					
1.3	The cost of locally produced raw material is reasonable					
1.4	There is a high dependency on imported raw materials					
1.5	Ethiopian leather and leather product industry/company fulfill international standards					
Government Regulation and Incentive as a factor						
2.1	There is strong government support for export, Such as duty free privileges for importation of machinery and equipment, tax holidays, reduced Import tax on raw materials and accessories					
2.2	There is an efficient and effective government administrative/ governance structure in addressing issues adequately and timely					
2.3	There is a lack of accessibility of information on current government regulations those are relevant to the sector					

Infrastructure as a factor						
3.1	There is an adequate, reliable supply of electricity, water and communication network for my business operation.					
3.2	There is sufficient transport to/and from port and also the cost of transport fair					
3.3	There is an efficient port handling and customs processes for raw material import and export of products					
Industry and Institution linkage as a factor						
4.1	Enough supporting institutions and associations represent my sector					
4.2	There is a lack of support coordination between institutes and associations in my sector.					
4.3	There is frequent communication with suppliers and customers, foreign visit and participation in trade fair and promotion activities to reach and maintain a market.					
	Quality as a factor					
5.1	Ethiopia leather industry qualified international market standard					
5.2	Your export companies/firms average daily defect product rate due to quality problem is low					
5.3	There is a good feedback from customers/ buyers regarding the quality of your product					
	Marketing Strategy as a factor					
6.1	Ethiopian leather export market penetration strategy is designed to increase the market share in existing markets and create new destination for leather and leather products					
6.2	Market share of Ethiopian leather increased in the existing destination market					

Skilled Labour as a factor		Strongly Disagree	Disagree	Neutral	Agee	Strongly Agree
		(1)	(2)	(3)	(4)	(5)
7.1	There is an adequate supply of skilled labor force in the market for the sector					
7.2	There is pool of well experienced and export exposed marketing personnel in the country.					
7.3	The organization provides inducements for workers					
7.4	There is continuous training specific to the sector					
7.5	There is a lack of skills and capability to handle new technology					
Capital as a factor						
8.1	Financial institution gave priority to facilitate the required loan					
8.2	The collateral requirement for lending institutions is one of the hindrance to get a loan					
8.3	Loan processing procedures of banks and other lending institutions are too complicated and time consuming					
Information Technology and R&D as a factor						
9.1	There is lack of finance to acquire new technology because it requires huge investment					
9.2	There is a lack of export marketing research					
Managerial Capability as a factor						
10.1	Educational readiness and capability of managers to help them in planning and making effective decisions for the success of the firm					
10.2	There is well skilled and experienced managers are available in your organization?					
10.3	Your organization manager has a world market idea or exposure					

Export Competitiveness		Strongly Disagree	Disagree	Neutral	Agee	Strongly Agree
11.1	Due to export competitiveness your company maintain its comparative advantage					
11.2	My company derives sufficient income from domestic and international markets					
11.3	My company maintains, or expand, a place in international markets					
11.4	My company access to new technology, new ideas and subsequent productivity growth.					
11.5	Ethiopian leather product earns more price in the international market than its competitors					
11.6	Ethiopian leather is more preferred than its competitors in the international market					

Thank you again for your cooperation!

Appendix 2: Correlations result

		RM	GR	I	MS	IN	Q	SL	C	IT	MC	EC
RM	PearsonCorrelation	1	-0.005	.284**	-0.045	0.116	.166*	.772**	0.072	-0.011	0.113	.486**
	Sig. (2-tailed)		0.944	0.000	0.548	0.117	0.024	0.000	0.329	0.878	0.127	0.000
	N	184	184	184	184	184	184	184	184	184	184	184
GR	PearsonCorrelation	0.005	1	.508**	.776**	.413**	.168*	0.144	0.069	.412**	0.078	.295**
	Sig. (2-tailed)	0.944		0.000	0.000	0.000	0.023	0.052	0.349	0.000	0.295	0.000
	N	184	184	184	184	184	184	184	184	184	184	184
I	PearsonCorrelaton	.284**	.508**	1	.523**	.803**	.229**	.269**	.201**	.516**	0.103	0.109
	Sig. (2-tailed)	0.000	0.000		0.000	0.000	0.002	0.000	0.006	0.000	0.165	0.142
	N	184	184	184	184	184	184	184	184	184	184	184
MS	PearsonCorrelation	0.045	.776**	.523**	1	.646**	.271**	-0.02	0.095	.825**	0.071	.203**
	Sig. (2-tailed)	0.548	0.000	0.000		0.000	0.000	0.779	0.201	0.000	0.335	0.006
	N	184	184	184	184	184	184	184	184	184	184	184
IN	PearsonCorrelation	0.116	.413**	.803**	.646**	1	.230**	.161*	.155*	.685**	0.006	0.017
	Sig. (2-tailed)	0.117	0.000	0.000	0.000		0.002	0.029	0.035	0.000	0.931	0.824
	N	184	184	184	184	184	184	184	184	184	184	184
Q	PearsonCorrelation	.166*	.168*	.229**	.271**	.230**	1	.196**	0.128	.378**	.546**	.277**
	Sig. (2-tailed)	0.014	0.003	0.002	0.000	0.002		0.008	0.084	0.000	0.000	0.000
	N	184	184	184	184	184	184	184	184	184	184	184
SL	PearsonCorrelation	.772**	0.144	.269**	-0.021	.161*	.196**	1	.160*	0.022	0.119	.417**
	Sig. (2-tailed)	0.000	0.052	0.000	0.779	0.029	0.008		0.03	0.764	0.109	0.000
	N	184	184	184	184	184	184	184	184	184	184	184
C	PearsonCorrelation	0.072	0.069	.201**	0.095	.155*	0.128	.160*	1	.212**	.176*	.221**

	Sig. (2-tailed)	0.329	0.349	0.006	0.201	0.035	0.084	0.03		0.004	0.017	0.003
	N	184	184	184	184	184	184	184	184	184	184	184
IT	PearsonCorrelation	0.011	.412**	.516**	.825**	.685**	.378**	0.022	.212**	1	0.125	.239**
	Sig. (2-tailed)	0.878	0.000	0.000	0.000	0.000	0.000	0.764	0.004		0.092	0.001
	N	184	184	184	184	184	184	184	184	184	184	184
MC	PearsonCorrelation	0.113	0.078	0.103	0.071	0.006	.546**	0.119	.176*	0.125	1	.307**
	Sig. (2-tailed)	0.127	0.295	0.165	0.335	0.931	0.000	0.109	0.017	0.092		0.000
	N	184	184	184	184	184	184	184	184	184	184	184
EC	PearsonCorrelation	.486**	.295**	0.109	.203**	0.017	.277**	.417**	.221**	.239**	.307**	1
	Sig. (2-tailed)	0.000	0.000	0.142	0.006	0.824	0.000	0.000	0.003	0.001	0.000	
	N	184	184	184	184	184	184	184	184	184	184	184

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

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

Appendix 3: Regression result

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	COMP_MC, COMP_IN, COMP_RM, COMP_C, COMP_GR, COMP_Q, COMP_IT, COMP_SL, COMP_I, COMP_MS[b]		Enter

a. Dependent Variable: COMP_EC

All requested variables entered.

Reliability Statistics of leather export competitiveness

Cronbach's Alpha	N of Items
.785	10

Source: SPSS output

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	. 793[a]	.629	.608	.15257	.629	29.352	10	173	.000

a. Predictors: (Constant), COMP_MC, COMP_Q, COMP_C, COMP_RM, COMP_IN, COMP_GR, COMP_IT, COMP_MS, COMP_I, COMP_SL

Source: SPSS output

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.832	10	.683	29.352	.000[b]
	Residual	4.027	173	.023		
	Total	10.859	183			

Predictors: (Constant), COMP_MC, SDa, SDp, SDy, COMP_IT, SDg, COMP_RM, SDm, SDe, COMP_GR, COMP_SL, COMP_C, COMP_I, COMP_IN, COMP_Q, COMP_MS

Internal and external factors Regression Coefficients

Internal factors Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.080	.112		.718	.474		
	Marketing strategy	.296	.036	.466	8.291	.000	.891	1.123
	Quality	.076	.037	.115	2.037	.043	.888	1.126
	Skilled labour	.233	.052	.260	4.452	.000	.826	1.210
	Capital	-.003	.028	-.006	-.104	.918	.858	1.166
	Information technology	.154	.030	.292	5.119	.000	.862	1.161
	Managerial capability	.088	.035	.139	2.514	.013	.914	1.094

a. Dependent Variable: COMP_EC

Source: SPSS output

External factors Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	0.524	0.104		5.016	0.000		
Raw material	0.295	0.037	0.464	7.893	0.000	0.987	1.014
Government regulation	0.102	0.029	0.23	3.588	0.001	0.83	1.205
Infrastructure	0.085	0.045	0.122	1.901	0.059	0.822	1.217
Industry and Institution linkage	0.14	0.038	0.221	3.738	0.000	0.971	1.03

Appendix 4: External and Internal factors Collinearity Diagnostics[a]

Internal factors Collinearity Diagnostics[a]

Model		Eigenvalue	Condition Index	Variance Proportions (Constant)	MS	Q	SL	C	IT	MC
1	1	6.757	1.000	.00	.00	.00	.00	.00	.00	.00
	2	.081	9.126	.00	.30	.03	.00	.39	.03	.00
	3	.054	11.167	.00	.18	.01	.00	.45	.19	.16
	4	.040	13.019	.00	.15	.56	.01	.05	.02	.35
	5	.035	13.920	.01	.16	.29	.02	.02	.28	.44
	6	.022	17.456	.02	.10	.09	.66	.08	.35	.00
	7	.011	25.053	.97	.11	.03	.30	.00	.13	.04

External factors Collinearity Diagnostics[a]

Model		Eigenvalue	Condition Index	Variance Proportions (Constant)	COMP_RM	COMP_GR	COMP_IN	COMP_I
1	1	4.790	1.000	.00	.00	.00	.00	.00
	2	.112	6.547	.00	.11	.70	.00	.03
	3	.051	9.661	.00	.68	.09	.03	.31
	4	.033	11.968	.03	.03	.20	.44	.51
	5	.013	19.008	.95	.17	.01	.52	.14

a. Dependent Variable: COMP_DEP

Appendix 5: Normality test result

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
COMP_EC	184	100.0%	0	0.0%	184	100.0%

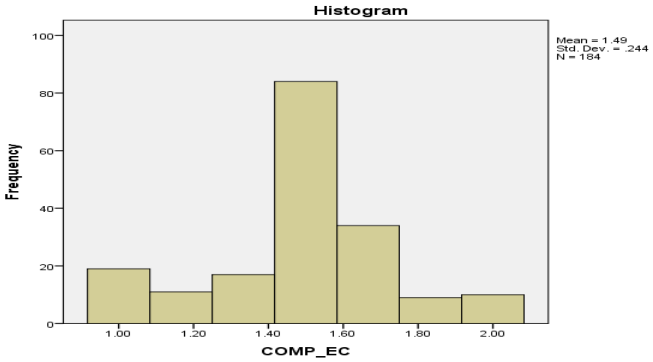
Descriptives

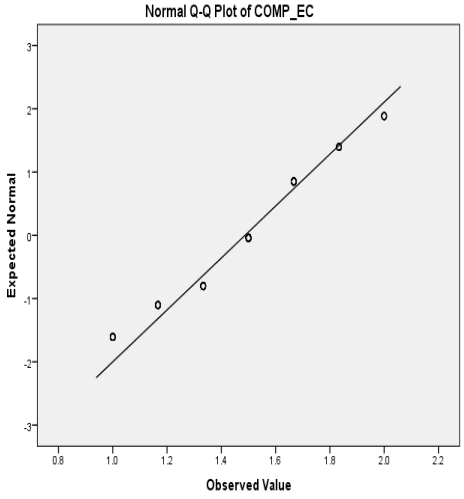
		Statistic	Std. Error
COMP_EC	Mean	1.4873	0.01796
	5% Trimmed Mean	1.4859	
	Median	1.5	
	Variance	0.059	
	Std. Deviation	0.2436	
	Minimum	1	
	Maximum	2	
	Skewness	-0.27	0.179
	Kurtosis	0.241	0.356

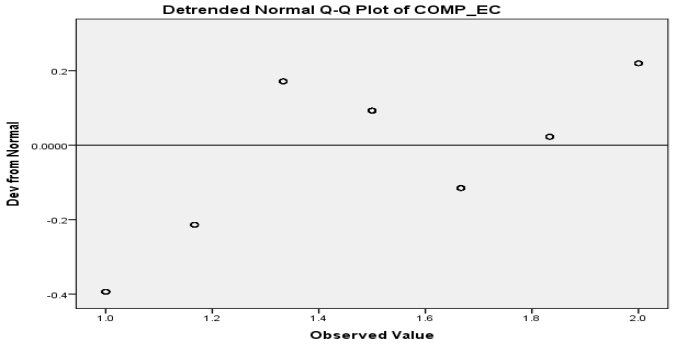
Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
COMP_EC	.265	184	.000	.894	184	.000

Lilliefors Significance Correction

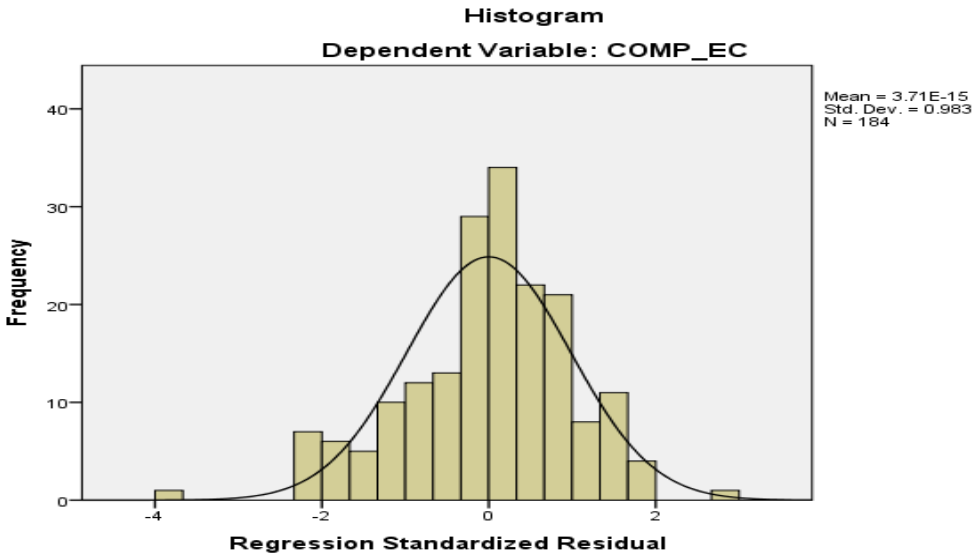

Histogram
Mean = 1.49
Std. Dev. = .244
N = 184
Frequency
COMP_EC


Normal Q-Q Plot of COMP_EC
Expected Normal
Observed Value

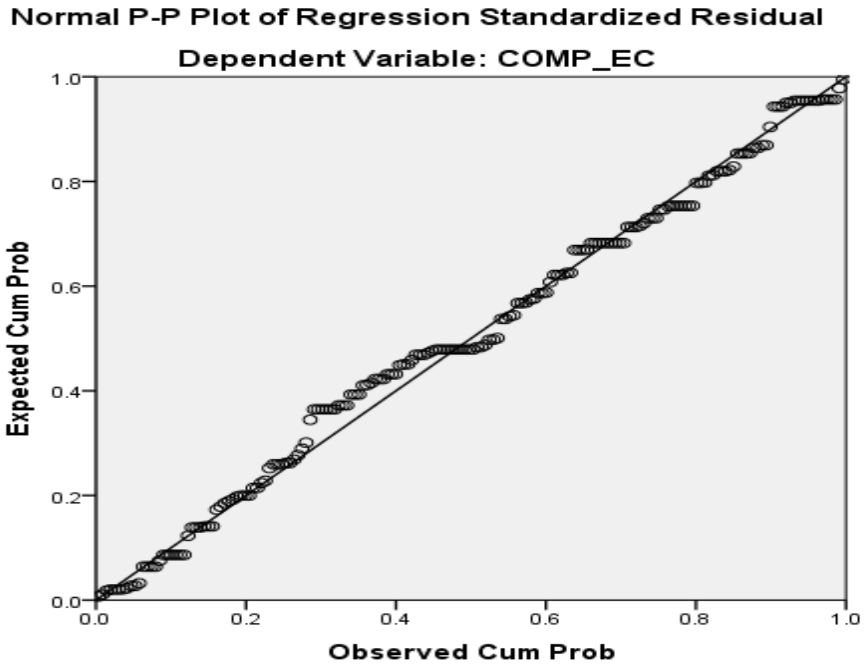

Detrended Normal Q-Q Plot of COMP_EC
Dev from Normal
Observed Value

Appendix 6: Internal and external factors linearity Assumption test result

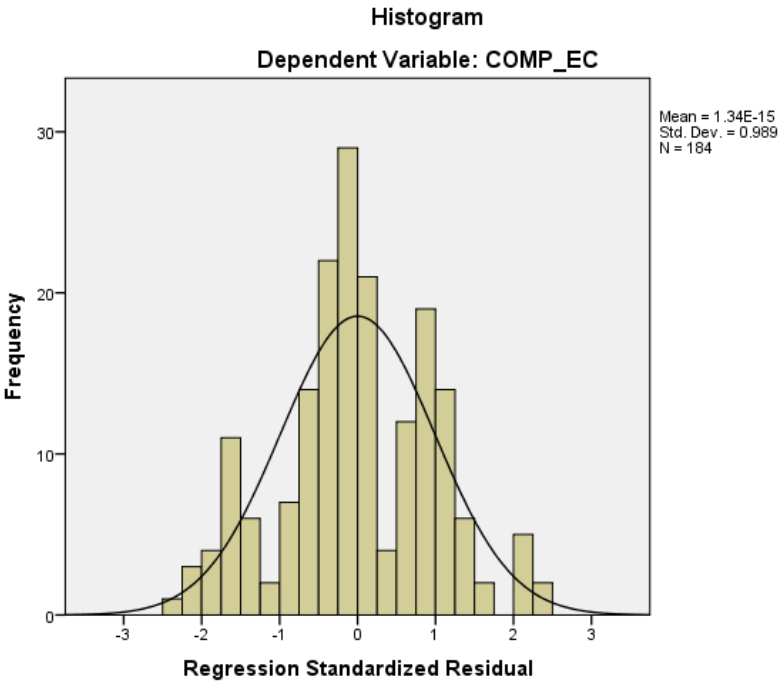
Internal factors linearity Assumption test result



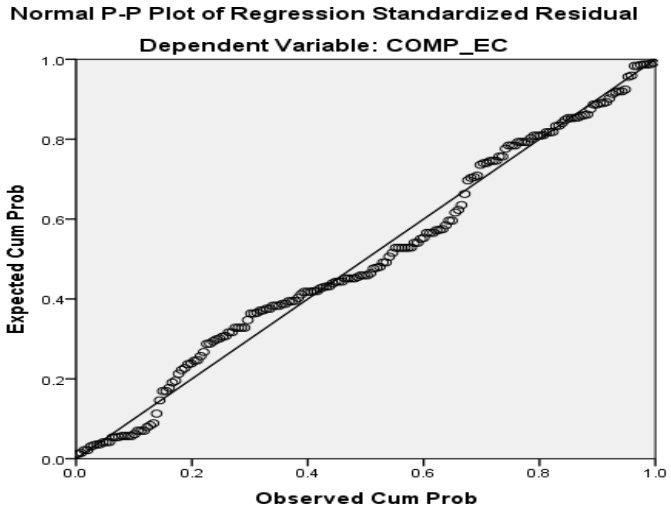
Internal factors linearity Assumption test result P-P Plot of Regression Standardized Residual



External factors linearty asumtion test result

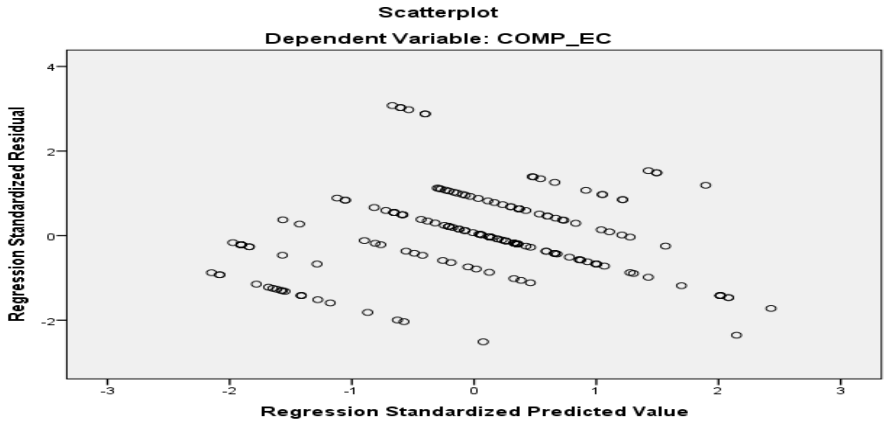


External factors linearity Assumption test result



Appendix 7: Internal and external factors homoscedasticity Assumption test result

Internal factors homoscedasticity Assumption test result



External factors homoscedasticity Assumption test result