DETERMINANTS OF EXPORT PERFORMANCE OF DOMESTIC ETHIOPIAN LEATHER FOOTWEAR MANUFACTURING FIRMS

A Thesis Submitted to the Addis Ababa University School of Commerce for the Partial Fulfillment of the Requirements for the Award of Degree of Master of Arts in Marketing Management

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Determinants of Export Performance of Domestic Ethiopian Leather Footwear Manufacturing Firms

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Certification

This is to certify that the thesis prepared by **Antigegn Kebede Belay**, entitled **"Determinants of Export Performance of Ethiopian Domestic Leather Footwear Manufacturing Firms"** and submitted in partial fulfillment of the requirements for the degree of Master of Arts in Marketing Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Advisor: Dr. Temesgen Belayneh (PhD) Date

DECLARATION

I Antigegn Kebede declare that the thesis entitled "**Determinants of Export Performance of Ethiopian Domestic Leather Footwear Manufacturing Firms**" is my original work and has not been presented in Addis Ababa University or any other University, and that all sources of material used for the study have been duly acknowledged.

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Antigegn Kebede

Date: _____

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The Researcher

LIST OF ACRONYMS and ABBREVIATIONS

GTP	Growth and Transformation Plan
CSA	Central Statistical Authority
LIDI	Ethiopia Leather Industry Development Institute
MOI	Ministry of Industry
MOT	Ministry of Trade
MOTI	Ministry of Trade and Industry
UNCTAD	United Nation Center for Trade and Development
UNIDO	United Nations Industrial Development Organization
FDI	Foreign Direct Investment
TAC	Technological Acquiring Capability
TOC	Technological Operating Capability
TUC	Technological Upgrading Capability
MOST	Ministry of Science and Technology
SPSS	Statistical Package for Social Science

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ABSTRACT

The government of Ethiopia is promoting the leather manufacturing sector as a priority subsector and the sector has a huge potential to develop an economy. However; its performance is unsatisfactory due to external and internal problem that hinders its competitiveness in the international market. Thus, the aim of this study was to investigate the effect of determinants on export performance of domestic leather footwear export manufacturing firms in Ethiopia. Determinants of export performance such as product quality, capital, export knowledge, technological capability, global competition and export promotional support were analyzed based on the selected conceptual framework. A quantitative research approach was applied in order to achieve research objectives. The researcher used a purposive sampling technique to select four departments and 9 heads of respondents in each 14 domestic footwear manufacturing firms. A structured questionnaires were distributed to 126 respondents those who represent the firm and 108 were collected. The collected data was analyzed through statistical techniques such as descriptive statistics, correlations and multiple linear regressions using Statistical Package for Social Science (SPSS) version 20.The research finding clearly indicates that product quality, capital, export knowledge, technological capability and export promotional support have a positive significant effect with coefficient of 0.293, 0.237, 0.197, 0.114 and 0.092 on export performance of domestic leather footwear export manufacturing firms respectively. It means that a unit increase in each variable will result in an increase on export performance by the value of each coefficient of variables. Global competition has negative relationship with export performance. It means that a unit increase in global competition will result in a decrease in export performance. Based on the findings of the study, the study recommends that local exporting firms need a special support in finance, technology and promotion in order to be competent in the international market. Therefore, the government should introduce special incentive policies that encourage the export manufacturing industry in order to gain the expected foreign currency earnings and the overall economic development from the sector.

Key Words: Export Performance, Footwear Manufacturing Firms, Multiple Regressions

CHAPTER ONE

INTRODUCTION

This chapter addresses the introductory part of the research. It includes background of the study, the statement of the problem, research questions and objective, significance of the study, scope of the study, limitations of the study and the definition of basic terms under study.

1.1 Background of the Study

The government of Ethiopia has identified the leather sector as one of the growth sectors capable of accelerating economic development by creating more employment, generating income through exports, and offering investment potential because of its large livestock resource and competitively priced labour force. The country is highly endowed with livestock resources; ranking first in Africa and is among the top ten countries in the world. It has more than 60.39 million heads of cattle, 31.30 million sheep, and 32.74 million goats CSA (2017/18). Leather and leather products are among the main export products in the manufacturing industry. Within the manufacturing sectors, the leather industry comes as the leading one that the total export of leather and leather products was 133.77 million USD according to the annual report of (Ministry of industry (MOI) and leather industry development institute (LIDI) annual plan, 2017/18).

Ethiopia's leather and leather products sector produces a range of products from semi processed leather in various forms, including shoes' upper parts, leather garments, stitched upholstery, backpacks, purses, industrial gloves and finished leather. Currently there are 27 functional tanners, 19 medium and large footwear, 4 glove and 16 Leather Goods and Garment companies engaged in the export business (LIDI annual plan, 2017/18).

The Ethiopian shoe manufacturing is one of the leather goods manufacturing that consist of two distinct groups: micro and smaller manufacturers that produce for the local market, mostly covered by most of the domestic producers; and medium- and large-scale manufacturers that produce for the export market.

Considering the comparative advantage of this sub-sector, the government gave the leather industry as one of the priority sector in the manufacturing industry. However, irrespective of the availability of competitive resource base such as cheap labor, policies and strategies, incentives as well as support institutions, the export performance of the industry and the value captured from the sector shows wider gap from the expectation particularly the local industry Taye(2012).The export plan expected from the industry was $280.5 million while the performance was $ 133.8 (47.7%) LIDI and MoI(2018). This aggregated weak performance is the reflection of each firm's inefficiency and ineffectiveness of value adding activities in particular and the business enabling environment and the support system in general. According to Kifelew (2018), the main challenges that affect the export performance of leather industry are quality product quality, government regulation and incentives, raw material, skilled labour, marketing strategy, infrastructure, and managerial capability. Whereas according to the study of Birknesh (2012), Poor quality of the products for export limits the growth and potential of the shoe industry from having significant market share at the international market. The supply constraints such as the problem in raw materials, the limited access to finance, low labour productivity, poor business environment, and non-smooth nature of export incentives resulted in the low demand for the shoe products in various market segments.

Therefore, this research paper attempted to examine the effect of determinant factors on export performance of Ethiopian local footwear manufacturing leather firms.

1.2 Statement of the Problem

The leather and leather products industry sector is among few others that have been given a very top priority through the adoption of the industrial development strategy. In particular the shoe sub sector has deserved a continuous government support in order to play a leading role within the leather sector. According to Ethiopia Export Trade Duty Incentive Schemes Proclamation (2012), the leather footwear export manufacturers products have privilege of 2-8 years free income tax holiday and reduced land lease rate for investors, cost sharing scheme for foreign experts, technical capacity building and export incentives of duty free scheme.

From LIDIand MOI Annual report (2015), the export plan of leather footwear products at the end of GTP-1 was $315.52 million but the performance was $ 34.58 million (11%) and in GTP-2 (2018) the export plan was $128 million while the export performance is $ 49 million

(38%). The export performance shows an increasing trend from $ 34.58 million to $49 million but it is far from the plan. From the annual report of LIDI (2018), out of the total export 88% is contributed by foreign investor companies mainly the three companies like Huajian, George shoe and Newing Addis shoe factories whereas the assessment done by LIDI consultants (2018) on different medium and large local footwear manufacturing firms of Ethiopia revealed that the export performance declined starting from $5.6 million in 2015/16 to $ 2.3 million in 2017/18.

Though the Government of Ethiopia give the leather footwear industry as a priority area because of the fact that the sector has a huge potential of livestock population, its performance is unsatisfactory due to external and internal problems that hinders its competitiveness in the international market specially the local leather footwear manufacturing firms.

Many studies were conducted that are focused on leather and leather product and other manufacturing sectors in general but there are only few specific studies on challenges of Ethiopian domestic footwear firms.

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 and Carlos,2002).According to Mekonnen and Gezahegn (2008) the major challenge of Ethiopian the leather sector like poor economic infrastructure, lack of skilled workforce in modern leather technologies, less capacity utilization, poor quality of hides and skins; and the leather production and productivity. Another study Kifelew(2018) showed that the main export challenges of leather footwear industry are raw material, quality, capital, skilled labor, management capability, marketing strategy, government regulation & incentives, information technology, infrastructures, Institutional and industries relation and less support from governmental and non-governmental organizations.

As indicated in the above mentioned researches and investigations, on the determinants of export performance at different countries, the conclusions of the study are different. The study conducted on export performance of Africa and developed country may not be appropriate to

the Ethiopian leather export industry because of 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. In addition to these, the factors that affect the export performance in other country firms may not be the factors of Ethiopian firms. More over the above studies did not include export promotional support, global competition and market knowledge as determinate factors for export performance and hence this study focused on addressing this issue.

Although, many studies are focused on leather sectors in general and some studies on Ethiopian footwear firms (both local and foreign companies), there is no specific studies on determinants of export performance for domestic footwear firms. In addition to these it is the current problems that the export performance of Ethiopia as whole is declining from time to time. With the same manner, the export performance of local footwear firms is decreased from $5.6 in 2015/2016 to $2.3 in 2017/18.

Therefore, this study was initiated and tried to address the gaps of the previous studies by considering some specific determinants of export performance of Ethiopian local Leather footwear exporting firms that related to product quality, capital, technological capability, export knowledge, global competition and export promotional support.

1.3 Research Questions

- What is the effect of product quality on export performance of domestic leather footwear industry in Ethiopia?
- What is the impact of capital on export performance of domestic leather footwear industry in Ethiopia?
- What is the influence of technological capability on export performance of domestic leather footwear industry in Ethiopia?
- What is the effect of export knowledge on export performance of domestic leather footwear industry in Ethiopia?
- To what extent global competition influence the export performance of domestic leather footwear industry in Ethiopia?
- To what extent the export promotional support influence the export performance of domestic leather footwear industry in Ethiopia?

1.4 Research Objectives

1.4.1 General Objective

The general objective of the study is to determine the internal and external factors influence on export performance of Ethiopian local footwear in export industry.

1.4.2 Specific Objectives

The specific objectives of the study are:-

- To evaluate the effect of product quality on export performance of domestic leather footwear industry in Ethiopia.
- To examine the effect of finance/capital on export performance of domestic leather footwear industry in Ethiopia.
- To determine the effect of technological capability on export performance of domestic leather footwear industry in Ethiopia.
- To determine the export knowledge influence on export performance of domestic leather footwear industry in Ethiopia.
- To determine the impact of global competition on export performance of domestic leather footwear industry in Ethiopia.
- To evaluate the influence of export promotional support on export performance of domestic leather footwear industry in Ethiopia.

1.5 Significance of the Study

This study provides important information for export manufacturing firms about factors that affect their export performance and take corrective actions that can enhance their export performance in the international markets. The finding of this study will provide important information for policy makers to examine the current policy related to the leather sector and to recommend accordingly. It also helps for academician, researcher or students those who would like to make further studies on related matters in the future.

1.6 Scope of the Study

This study focused on domestic footwear leather manufacturers engaged in export. It was limited to determine effect of factors on export performance of 14 medium and large mechanized local leather footwear manufacturing firms in Ethiopia currently operating in export market addition to the local market. All firms are located in Addis Ababa except one shoe factory (Sheba shoe factory) in Wukerro,Tigray

Conceptual scope

This study was conducted to analyze the effect of determinants on export performance of domestic footwear leather manufacturers engaged in export. In this study, the relevant internal determinants such product quality, capital, export knowledge and external determinants like technological capability, global competition and export promotional support were examined based on the construct research conceptual framework illustrated in figure 1. Other determinants of export performance each category were excluded from this study.

Geographical scope

The study was limited to assessing the effect of determinants on export performance of all medium and large mechanized local leather footwear manufacturing firms located in Addis Ababa except one shoe factory in Wukerro, Tigray. Due to time and financial constraints in taking large sample size, it was difficult and unmanageable to include all micro and small footwear manufacturing firms found in the country. Thus, the target groups of the population were taken from respondents of 14 medium and large mechanized local leather footwear manufacturing firms found in Addis Ababa and Tigray. Of these respondents, the sample size was determined by using formula from published article that is relevant to this study.

Methodological scope

The approach used in this study was quantitative approach. With regard to the secondary sources various publications, books and journals regarding the subject matter was addressed. In order to achieve the objective of the study well designed structured questionnaire was distributed among the study departments and respondents selected on purposive sampling basis.

Therefore, the study was conducted on 14 medium and large mechanized local leather footwear manufacturing firms focusing on product quality, capital, technology, export knowledge, global competition and export promotional support related problems.

1.7 Limitation of the Study

The limitation of this study was that it focused only specific determinant factors of export performance due to time and financial constraints but there are many other factors that affect export performance along the value chain in the sector.

1.8 Definition of Term

Footwear: refers to garments worn on the feet, for fashion, protection against the environment, and adornment (https://en.wikipedia.org/wiki/Footwear)**.**

Medium scale footwear manufacturing firm: means a firm having a total employee of, excluding contract employees, from 50 to 250 Melkamu (2016).

Large scale footwear manufacturing firm: means a firm having a total employee of, excluding contract employees, above 250 Melkamu (2016).

Export Performance: means the relative success or failure of the efforts of a firm or a nation to sell domestically produced goods and services in other nations (https://en.wikipedia.org/wiki/Export_performance).

Domestic footwear manufacturing firm: means the owner of the firm is registered as Ethiopian citizenship (Investment Proclamation No.769/2012).

1.9 Organization of the Study

This study is organized in five chapters. The first chapter provides brief introduction of the study which includes, background, statement of the problem, objectives and significance of the study, research questions, scope and limitations of the study, and definitions of terms. The second chapter addresses theoretical and empirical review of related literature of the study. The third chapter contains methodology and chapter four has data presentation, description, interpretation and analysis. Finally chapter five presents summary of findings, conclusions and recommendations.

Chapter Two

Review of Related Literature

The literature review contained both conceptual frame of the study concerning the theoretical frameworks and empirical literature. Conceptual framework by which the overall research tasks was focused and used to construct the conceptualization of factors of export performance. The empirical literature review which helps to get the previous findings in the empirical studies and discussions related to leather industry in Ethiopia.

2.1. Theoretical Literature Review

2.1.1. Overview of Global Export Performance of Footwear

According to the World footwear year book (2017), the global sales from leather shoe export is $ 52 billion in 2017.82.9% of the total value is exported by 15 countries (china $ 9.1billion -17.4%, Italy $ 7.7 billion-14.8%, Vietnam $ 6 billion-11.6% etc.). Over the last two years, the global exports footwear has fallen by 6% in volume and by 8% in value. China makes 60% of the world's footwear exports, and over 85% of shoes sold in America. China continues to be the leader in terms of worldwide export s, with 67.3% quota in 2016, following at some distance by Vietnam.

Vietnamese footwear and handbags are now available in over 100 countries in the world, with 72 countries annually importing more than US$1 million worth of the products. However, footwear and handbag producers in Vietnam currently face four challenges, namely high labor cost, difficulty in applying automation, return of protectionism in many countries, and fiercer competition with firms in foreign countries, especially Myanmar and Bangladesh (http://ven.vn/leather-footwear-run-into-export-challenges).

2.1.2. Ethiopia Leather Footwear Export Performance

According to Leather Industry Development Institute Annual report (2015), the export plan of leather footwear products at the end of GTP-1 was $315.52 million but the performance was $ 34.58 million (11%) and in GTP-2 (2018) the export plan was $128 million while the export performance is $ 49 million (38%). The export performance shows an increasing trend from $ 34.58 million to $49 million but it is far from the plan. From the annual report of LIDI (2018), out of the total export 88% is contributed by foreign companies mainly the three companies like Huajian, George shoe and Newing Addis shoe factories whereas the assessment done by LIDI consultants (2018) on different medium and large local footwear manufacturing firms of Ethiopia revealed that the export performance declined starting from $5.6 million in 2015/16 to $ 2.3 million in 2017/18.The main challenge for the poor performance of local manufacturing firms are lack of finance specially working capital and foreign currency, inputs like accessories and components, quality finished leather and logistics problem.

2.1.3. Export performance.

The success of a company in export can be assessed by its export performance (Navaro *et al*., 2010). Achievement to the company's goal when products are exported to foreign markets is called export performance (Cavusgil and Zou, 1994). Export performance including indexes such as exports sales growth, export profitability, export intensity, achievement expectations, assesses competitors

Export performance has been conceptually defined as the outcome of a firm's activity in an export market (Toften and Olsen, 2003). There seems to be general agreement that export performance is a multi-dimensional construct and comprises export effectiveness, export efficiency and adaptiveness (Aaby and Slater ,1989).Effectiveness is defined in terms of a business's products and programs relative to competitors and can be measured by indicators such as growth in export sales (Gencturk and Kotabe, 2001). Secondly, efficiency is where profitability is considered to be the key measure and is reflected by the perceived profitability of the export activities, or the ratio of performance outcomes to the inputs required achieving them (Aaby and Slater, 1989; Katsikeas, Leonidou and Morgan, 2000). Finally, the third

dimension, adaptability is how the business responds to changing conditions and opportunities in the marketplace and therefore more strategic in nature (Toften and Olsen, 2003).

Cavusgil and Zou (1994) define export performance as the extent to which a firm's objectives, both economic and strategic with respect to exporting a product into a foreign market are achieved through planning and execution of export marketing strategy. This definition compares well with Shoham (1998) notion of export performance as a composite outcome of a firm's international sales. Tonesakulrungruang (2009), consistent with previous scholars, described export performance as the extent to which a firm's objectives are attained in foreign markets because of specific orientations and strategies.

An overview of the relevant literature implies that a conceptually sound and reliable export performance measure include both objective and subjective measures The objective measure refers to the type of values used in the export performance assessment, i.e., objective indicators are mainly based on absolute values (e.g. export sales volume, export profit margin, export market share, etc.) while subjective indicators are based on perceptual values (e.g. the manager's perception of success and satisfaction with export sales) (Sousa, 2004).

In general, measures of export performance are usually categorized in two broad groups: financial/economic and non-financial/non-economic measures (Elena Beleska-Spasova, 2014).

2.1.4. Determinate factors of Export Performance

The export performance determinants are viewed as internal, firm-specific influences and external, environmental influence (Madsen, 1987; Aaby and Slater, 1989; Chetty and Hamilton, 1993; Zou and Stan, 1998; Katsikeas *et a*l, 2000; Sousa *et al*., 2008). The internal or external divide corresponds to the two theoretical approaches underpinning most of the empirical research of export performance – the resource based view of the firm (RBV) and the contingency theory.

Studies examining the internal factors are supported in the RBV approach, and assume that the firm's export performance is under the control of the firm and its management. The resource-based view (RBV) proponents suggest that exploitation of idiosyncratic, immobile strategic resources owned or controlled by a firm are its source of superior performance

Penrose (1959) and Wernerfelt(1984).The most frequently cited factors as firm-specific determinants in the export performance literature are marketing mix variables, management characteristics, firm specific variables, and export strategy factors.

The external determinants are supported by the contingency theory, rooted in the structure-conduct-performance framework of industrial organization (Cavusgil and Zou, 1994). In the industrial organization (IO) theory argues 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 IO theory, the external factors and firm's export strategy are the primary determinants of export performance. A superior export performance is a result of a firm's successful strategic response to the external factors (Robertson and Chetty, 2000). The external influences are defined as environment-specific and hence managerially uncontrollable. The external determinants are generally categorized as industry specific and market specific. The industry specific factors refer to the industry's technological intensity and its level of instability. Factors affecting export performance in domestic markets differ from those in the foreign markets. The liability of foreignness increases the cost of doing business abroad due to legal, economic, and cultural differences. Legal and political factors and cultural similarity are factors that are most cited as external determinants of export performance.

According to the study of Barney (1991), the Classification of the determinants of export performance to internal and external factors is theoretically reasonable because internal determinants are founded based on resource-based theory and determining external factors are established based on industry structure theory. Resource-based theory regards a company as a special package of touchable and untouchable resources (assets, competencies, processes, management characteristics, information, and knowledge). They are controllable by the company and enable the company to adjust strategies to improve its efficiency and effectiveness. The theory argues that the resources within an organization are the determinants of export performance and corporate strategy

From the theory of Michael Porter's Diamond model, cited in Birkinesh (2012), suggests that the national home base of an organization plays an important role in shaping the extent to

which it is likely to achieve advantage on a global scale. This home base provides basic factors, which support or hinder organizations from building advantages in global competition. He identifies four factors of competitiveness (which he calls the National Diamond) that provide the underlying conditions or platform for the determination the national competitive advantage of a nation that are Factor Conditions, Home Demand Conditions, Related and Supporting Industries and Firm Strategy, Structure, and Rivalry and two exogenous factors; Government and Chance.

Factor Conditions are the situation in a country regarding production factors, like skilled labor, infrastructure, etc., which are relevant for competition in particular industries. Factor conditions include those factors that can be exploited by companies in a given nation. These factors can be grouped into human resources (qualification level, cost of labor, commitment etc.), material resources, knowledge resources, capital resources, and infrastructure. They also include factors like quality of research on universities, deregulation of labor market, or liquidity of national stock markets (Birkenesh, 2012).

The another study carried out by Gebreyohannes (2016) the export barriers of leather footwear manufacturing firms classified as internal barriers like company and product characteristics and external barriers like industry, market and macro-environment barriers while according to kifelew (2018) argued that product quality, skilled labour, IT and R&D, managerial capability and capital as internal factors whereas raw material availability, government regulations and incentives infrastructure ,marketing strategy and industry and institution linkage are external factors of export competitiveness.

2.1.4.1. Internal factors of Export Performance

Product Quality: Product quality is defined as perceived superiority or excellence in a product as compared with competing alternatives from the perspective of the marketplace (Hollensen, 2007). It is important to understand how specific dimensions of the superiority of a product should be evaluated. Garvin (1984) presented many dimensions of product quality; five of these dimensions would be useful in developing a definition of product quality applicable to durable and nondurable products. These five dimensions are aesthetics, performance, durability, workmanship and perceived quality. The product characteristics that affect the export market of SMEs in developing countries can be divided into quality and

technical adaptability. These product attributes of a firm can influence the source of competitive advantage (Day and Wensley, 1988), which affects the choice of an offensive or defensive strategy (Cook, 1983). Some relevant product characteristics that affect export market are; export product design, quality, style, product adaptation or modification and packaging and labeling requirements (Keng and Jiuan, 1989).Product quality signify as one of the most crucial situations for entering and remaining in the international markets. It concerns packaging, meeting importers quality standards and establishing proper design and image for export markets (Christensen and Rocha, 1994).The competitive ability of the company in the market largely determines the level of the quality of the product, regardless of whether it is being produced for the already familiar or unfamiliar buyer. Garvin (1984) argued that improvements in performance, features or other dimensions of quality lead to increased sales and large market share as the result increased the export performance of the firms.

Capital: Capital resources as defined by Morgan and Hunt (1999) are that the firm has at its disposal. A strong financial capability is one of the means to secure price advantage in the segmented market of SMEs in developing countries. However, several SMEs in developing nations run into dilemmas for lack of timely and ample working capital, which add costs and put in danger the whole production operation (Cardoso, 1980; Kaleka and Katsikeas, 1995; Dicle, 1992 and Bodur, 1986). Involvement in export activities requires huge expenditures in research overseas markets, visiting foreign customers, adapting the export marketing strategy etc. (Al-Hyari *et al.*, 2012), which creates financial burdens for the SMEs in developing nations, especially if they already strained financially because of domestic business problems. Sufficient capital therefore facilitates the necessary response to export markets by allowing the firm the resources to innovate and change according to changing environmental conditions (Lee and Pennings, 2001; Wiklund, 1999).

Export knowledge: is considered to be an outcome of the use of export market information. With respect to the knowledge assets concept, export knowledge could be defined as the firm-specific resources that are indispensable for creating value for the export firm (Toften, 2005).It provided competitive advantage, which is the cornerstone of export strategy; so lack of appropriate knowledge about export markets and activities weaken the competitiveness of firms in foreign markets. In order to develop strategies for achieving competitive advantage, export managers need to obtain information about their export market and enhance the

knowledge applied to export market development (Gencturk and Kotabe, 2001).Marketing knowledge and information are one of the most significant sources that enable exporting firms to be successful. Albaum, Strandskov and Duerr (1998) explained that market opportunities abroad might use strong pressure upon a firm's willingness to begin and expand exports.

2.1.4.2. External factors of Export Performance

Technological Capability: The world economy has undergone notable structural changes with the rapid improvement of technology. The technological advancements have affected world trade patterns remarkably. These developments together with the improving free trade conditions have altered the dynamics of international competition for the countries. The international trade theories have adapted to this fast changing nature of the production processes which are led by the enhancements of technological capacities (Fatih, 2012).Technological capability (TC) is widely regarded as source of growth and wealth for almost every nation. Not only for nations, but technology is also a core imperative for firms (Manopoloulos *et al.,* 2009). The employment of technology demands considerable effort, devoted to learning the new technology and developing the capability, for the efficient development of industry. Those firms with superior technological capability can secure greater efficiency gains by pioneering process innovations and can achieve higher differentiation by innovating products in response to the changing market environment (Tsai, 2004).The development of technological capability by the small and medium-sized enterprises (SMEs) is crucial for them to overcome the fast-changing and fiercely competitive global markets. However, only a few numbers of SMEs in emerging economies are well equipped to develop the necessary technological capabilities (Caniels and Romijn, 2003) and the understanding of technological capabilities development is still inadequate (Archibugi and Coco, 2004).
Referring to the relevant researches done by Kim (1997), Hobday (2005), and Guifu (2009), this study followed the suggestion of Guifu and Hongfu (2009) classifying TC into three distinctive levels: technological acquiring capability (TAC), technological operating capability (TOC), and technological upgrading capability (TUC).

Empirical evidence has found a significant relationship between the intensity of technological effort and the proportion of its output that is exported (McGuinness and Little, 1981).Technological capability plays an outstanding role in ensuring the firms to achieve a higher level of international performance and to compete successfully in foreign markets (Flor and Oltar, 2005).

Global competition: Global market competition refers to the intensity of competition and the extent to which businesses strive to outdo others to gain economic rents (Cavusgil *et al.*,

1993). Competition greatly affects firms' performance. In the face of competition firms tend to react differently. Some may downsize, others may exit the market and then some firms may adopt survival tactics in order to remain in business .The higher the intense of competition in a foreign market, the more a company will have to adapt their export marketing mix strategies (Jain, 1989). In addition, the level of competition in the foreign market and the degree of customer familiarity with the product influences the firm's choice of export marketing mix strategy and performance (O'Cass and Julian, 2003).

Competitive pressures, therefore, can force firms to reduce their prices or adapt products to meet the specific needs of a particular export market (Katsikeas *et al.,* 2006). Cavusgil and Zou (1994) demonstrated that the level of competition affects the levels of product and promotion adaptation. As competition increases, firms are forced to adapt strategies to distinguish their products and gain a competitive advantage over other firms (Lages and Montgomery, 2001).Competition greatly affects firms' performance. In the face of competition firms tend to react differently. Some may downsize, others may exit the market and then some firms may adopt survival tactics in order to remain in business. Strong competition in the domestic market propels firms to be more productive and rising domestic competition increases firms' propensity to export. However, firms' export intensity, i.e. how much they export, is not directly influenced by competition in the domestic market. Moreover, lower competition in the foreign market increases the propensity of domestic firms to export, enlarging the set of exporting firms to firms with relatively smaller export amount.

Export Promotional support: Export promotion means total activities of the government and state institutions, which have a positive impact on the export performance of the economy. Export promotion support helps to the exporters to find markets for their products, as well as provide them with a better understanding of products demanded in different export markets.

According to the World Bank document (2006), export promotion support/programs are common components of most countries' international trade policies. In both developed and developing countries, firms often require help and guidance to identify potential export opportunities and markets; but developing countries-based firms face more problems in their exporting activities and accordingly have more needs in terms of assistance. It is a public measures designed to support firms' exporting activity, including seminars for potential

exporters, counseling, 'how to export' handbooks, export financing, and market information and development programs such as dissemination of sales leads to local firms, preparation of market analysis, participation in foreign trade shows, and export newsletters In other words, export promotion support reflect the interest of national governments to stimulate exports (S. Hossein Jalali, 2012).

2.2. Empirical Literature Review

Many different studies has been conducted on Ethiopian leather and leather products related to export challenges but very few studies have been conducted on Ethiopian Leather footwear manufacturing firms in this area specially on local exporting firms. However it would be beneficial to review some of the revenant literature dealing with leather and leather products exported by different countries.

According to the study Rafiq(2016) made on analysis of Major Factors Impacting the Footwear Export of Pakistan to evaluate factors that have a significant impact on footwear export of Pakistan for the year 2015 found that years of qualification, export experience, ISO certifications, average raw material price, international trade exhibitions were highly significant for footwear export of Pakistan whereas average marketing cost was insignificant factors for footwear export by using multiple regression analysis and he concluded that e energy crisis, export experience and qualification, technical knowledge, rapid excess to international markets, exhibition and raw material cost have direct impact on Pakistan footwear exports.

Another empirical study conducted to investigate the factors hindering export development of small businesses in Nigeria made by John and Nicholas (2014), on "Factors Hindering Export Development in Africa: Empirical Evidence from SMEs in Nigeria". To carry out the study hey took four export barriers as explanatory variables such as export knowledge barriers, internal resources, procedural barriers and exogenous barriers. A survey method was used to collect data from small businesses located in selected cities in Nigeria. Several statistical analyses were conducted to identifying the factors hindering export development of SMEs. The result showed that the various barriers of export includes: lack of finance, lack of qualified personnel, fear of foreign competition, lack of productive capacity, poor infrastructure, corruption, bureaucracy, and general lack of knowledge on how to export. The

study revealed that increasing competition in world markets, coupled with the inability to offer competitive prices abroad, were the two most serious barriers to export activity. The limited availability of foreign market information also constituted a major impediment, contributing to a higher level of uncertainty surrounding international business operations.

On the other hand, another study made by M.R. Narayana (2004), on determinant of competitiveness of small scale industry, 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 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.

Mbaye and Golub (2007) tried to understand the effects of international competitiveness on export performance in Senegal at the industry level over 1974-1998. They have calculated two indices of competitiveness in manufacturing, namely: relative unit labor costs (RULC) and relative producer prices (RELPR). For these indices, they compare the Senegalese experience to those of developing and transition countries in four other regions: Africa, Asia, South America, and Eastern/Central Europe. The econometric results reveal that both indicators have a significant effect on sectorial exports, with RULC having a greater and more robust effect than RELPR. And they conclude that raising productivity growth relative to wages would appear to be the best and most sustainable way of improving Senegalese international competitiveness which would contribute to the raising of the national living standards.

The study conducted by TetsushiSonobe, John and KeijiroOtsuka (2009), "An Exploration into the Successful Development of the Leather-Shoe Industry in Ethiopia ",showed that the leather-shoe industry in Ethiopia is thriving, and in the early 2000s, it managed to recover the domestic market which had once been swept by imported Chinese shoes. Using primary enterprise-level data, this paper found that the industry has been growing not only because of a number of new entrants but also because of the growth of enterprises that have been improving product quality and developing new marketing systems. Such multifaceted improvements have been introduced by highly educated entrepreneurs, who have successfully expanded the size of their enterprises. They draw a conclusion that the industry's growth has been driven not only by the entry of new enterprises but also by the growth of leading

enterprises and followers, as in East Asia. Moreover, the paper has presented supportive evidence for the hypothesis that the highly educated entrepreneurs introduce new ideas on product design, production methods, labor management, marketing, and procurement because they face fierce competition from a swarm of micro enterprises, who can enter the market with little investments.

The study carried out by Gebreyohannes (2016) on Export Barriers and Competitiveness of Small and Medium-sized Enterprise in Developing Countries: Case study in Ethiopian Leather Footwear Manufacturing Firms is another empirical study t to investigate the export barriers and export competitiveness of the Ethiopian Leather Footwear manufacturing firms in particular and the industry in general. The survey data was analyzed using factor analysis and MDS (multidimensional scaling) techniques. The result showed that all the export barriers such as government policy, human resource, financial, product quality, marketing knowledge and information and competition barriers are important in impeding the export competitiveness of the industry with different perceived intensity. According to the study showed that the export barriers investigated are significant in impeding the export competitiveness of the individual firms in particular and the industry in general.

From the above studies conducted by different researchers have showed a different conclusion on export challenges (barriers).Most of the studies focused on competiveness of firms. One of the factors that affect export performance is the absence of export promotional support for local firms but the above studies are ignored these explanatory variables.

Therefore, this study was initiated to identify the export determinants of local leather footwear manufacturing firms in Ethiopian. In addition to this, there are no enough studies on these areas related to local leather footwear exporting manufacturing firms.

2.3. Conceptual Framework of the Study

Conceptual framework means that concepts that relate to one another, used to explain the study objectives. The theoretical basis of the export performance determinants are viewed as internal, firm-specific influences and external, environmental influences (Madsen, 1987; Aaby and Slater, 1989; Chetty and Hamilton, 1993; Zou and Stan, 1998; Katsikeas *et al*, 2000; Sousa et al., 2008). The internal or external divide corresponds to the two theoretical

approaches underpinning most of the empirical research of export performance – the resource based view of the firm (RBV) and the contingency theory. The resource-based view (RBV) proponents suggest that exploitation of idiosyncratic, immobile strategic resources owned or controlled by a firm are its source of superior performance export performance (Penrose, 1959; Wernerfelt, 1984). The external determinants are supported by the contingency theory, rooted in the structure-conduct-performance framework of industrial organization (Cavusgil and Zou, 1994).The factors that determines the export performance of Ethiopian leather and leather product industries includes capital, raw materials, managerial capability. Product quality export knowledge and information as internal factors; and technology, global competition and export promotional support as external factors.

The conceptual model (Figure 1) was developed from the above theoretical and empirical literature reviewed and the works of Gebreyohannes (2016) and Kifelew (2018) by including technology and export promotional support as factors of export performance on Ethiopian footwear leather manufacturing firms. The model depicts the influence of internal and external factors; and export performance.

Figure 1.The Conceptual framework of export performance.

2.4 Research Hypotheses

From the literature review and on the basis of the relationships depicted in the conceptual model, the following hypotheses were tested:

H1: Product Quality (PQ) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia

H2: Capital(C) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia.

H3: Export Knowledge (EK) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia.

H4: Technological capability (TC) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia.

H5: Global Competition (GC) has a negative impact on export performance of domestic leather footwear industry in Ethiopia.

H6: Export promotional support (EPS) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia.

Chapter Three

Methods of the Study

3.1 Description of the Study Area

This research was conducted to determine factors and their influence on export performance of 14 local medium and large footwear manufacturing firms engaged in export market of which 13 of them located in Addis Ababa and one is in Wukero,Tigray.

3.2 Research Approach

To undertake this research, quantitative research approach was applied**.**

Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationships (Kothari, 2005).It involves studies that make use of statistical analyses and theories to obtain their findings. According to Crewel (2008), quantitative research is a means for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures.

3.3 Research Design

In order to determine the factors that influence the export performance of domestic footwear manufacturing firms, the study used a descriptive and explanatory type of research design were employed.

The descriptive research design is used to describe the characteristics of factors and for this the questionnaire as the main part of a survey design uses to collect data from the population. Descriptive types of research enable flexible research approach by using multiple sources of data involving document review, interview, and questionnaires and to use both qualitative and quantitative analysis techniques.

Explanatory research design is used to see causal relationships between variables. The researcher used explanatory research to study the relationship between the dependent variable (export performance) and the independent variables (capital, product quality, export

knowledge, technology, and global competition and export promotional support) of domestic leather footwear industry in Ethiopia. The primary data collected from quantitative survey through structure Questionnaires were analyzed by using statistical package for social science software and tools like correlation and multiple regressions was applied.

3.4 Population

According to LIDI/MOT (2017/2018) report, there are 14 medium and large domestic leather footwear export manufacturing firms in Ethiopia, 13 of them located in Addis Ababa and one in Wukero, Tigray region. The target population of this study covered all medium and large domestic leather footwear export manufacturing firms in Ethiopia.

The total population of the study area is 182 respondents of leather footwear industry firms from which 13 heads of each 14 medium and large domestic leather footwear export manufacturing firms in Ethiopia.

Sample and Sampling Technique

The sample size for this study was determined by using confidence interval approach. The total population of the study is 182 as a sampling frame. Hence, a sample size of 125 respondents of leather footwear 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%

$n = N/1+N (e)^2$

n = 182 /1+182(0.05)2

n = 125

Where

n = the sample size

N = the population size

1 = designates the probability of the event occurring.

e= the level of precision (Sampling error).

When we divide 125 by 14 firms, we have 9 respondents from each firm. Therefore the researcher prepared structured questionnaires for 126 respondents and distribute to 14 medium and large domestic leather footwear export manufacturing firms. The respondents of the firm consist of the owner, marketing, production, finance, quality managers and supervisors/team leaders in each firm.

3.5 Data Sources and Types

Primary and secondary data sources were used for this research study.

For primary data collection structured questionnaire was well designed in English to the respondents to complete the questions.

For secondary data collection books, journals, articles, published and/or unpublished government documents, websites, reports and newsletters reviewed to make the study meaningful.

3.6 Reliability and Validity Tests

Prior to the main study data collection was taken, a pilot sample test was done. The aim of the pilot test was to solve ambiguity (clarity, language and structure problems) and to check the validity, reliability and feasibility of measuring instruments. A pilot test was done on 20 respondents of two local footwear firms to measure the reliability and consistency of the responses by participants.

3.6.1. Validity test

Validity is the extent to which differences found with a measuring instrument reflect true difference among those being tested (Kothari, 2004). In other words, validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In order to ensure the quality of the research design content and construction validity of the research were checked

The questionnaire is prepared by referring different related studies and references. To increase validity of the instrument, the questionnaire is pre tested on some respondents of two local footwear firms that have adequate knowledge on the subject to checking the appropriateness of the questions. Using the expert views and the feedback from the pilot survey, the final questionnaire was prepared and distributed to the respondent firms. Regular cross checking

and follow-ups had also made at the time of data collection to ensure accuracy, relevance, completeness, consistency and uniformity of the data.

3.6.2. Reliability Test Result

A pilot test was used on 20 respondents of two local footwear firms to measure the reliability and consistency of the responses by respondents. The coefficient of Cronbach's alpha was also used to measure the reliability and internal consistency of each of items. Based on the criterion of Cronbach's alpha when $\alpha > 0.9$ Excellent, $\alpha > 0.8$ Good, $\alpha > 0.7$ Acceptable, $\alpha > 0.6$ Questionable, $\alpha > 0.5$ Poor, and $\alpha < 0.5$ is Unacceptable (George and Mallery, 2003) and hence the result of 0.7 and above implies an acceptable level of internal reliability.

3.7 Data Collection Procedures

The primary data was collected through structured questionnaires. The questionnaire was prepared in line with the objectives of the study mentioned above. The researcher used a purposive sampling technique to select four departments and respective respondents in each 14 domestic footwear manufacturing firms. The 126 questionnaires were distributed to the respondents of the firm to fill the questionnaires. The respondents consist of the owner/general manager, department managers (marketing, finance, production and quality) and supervisors/team leaders in these departments in each firm. The researcher collected the questionnaires from the respondents through emails and by going physical to the respondent place.

3.8 Data Analysis and model specification

For the analysis of the primary data, descriptive and inferential statistical analysis technique was employed. With regards to the descriptive analysis percentages, means, standard deviations and frequencies were calculated by using SPSS version 20. With regards to inferential statistics, correlation and a regression analysis was conducted to investigate the most important questions to the objectives of this study and to arrive at the core findings of the study with regards to the hypotheses forwarded. The correlation analyses indicate the magnitude and direction of relationships between variables in the study. The variables are six independent variables and one dependent variable (export performance).

A Multiple regression model was applied in explaining the relationship between the dependent variable, i.e. Export performance and the explanatory variable product quality, capital, technology, export knowledge, global competition and export promotional support.

Accordingly, the analysis of export performance was done using regression models:

$EP = \alpha + \beta1\ (PQ) + \beta2\ (C) + \beta3\ (TC)\ le + \beta4\ (EK) + \beta5\ (GC) + \beta6\ (EPS)$

Where:

EP=Export performance, α=constant term of the regression, PQ=Quality, C=capital, TC=technological capability, EK=export knowledge, GC=global competition, PS= export promotional support and β1, β2, β3, β4, β5, β6 is coefficients of the independent variables.

A multiple regression analysis was employed in order to investigate the impact of the hypothesized factors on export performance of leather footwear manufacturing firm in Ethiopia. The analysis was used to know which of the hypothesized independent variables have statistically significant influences on export performance in each of the six independent variables. The data analysis and interpretation presented by using figures and tables.

Finally, data interpretation was made and conclusion was drawn from the interpretation of the data.

3.9 Ethical Consideration

Awareness about the research and its goals was done to the firms during submitting the questionnaires .The researcher assured to the participants that the information they provide were confidential and did not disclose to anyone else, including their competitors and government bodies.

Chapter Four

Results, Discussions and Interpretations

4.1. Introduction

In this chapter data was presented and discussed to address the research questions and objectives. The data obtained from the primary source using structured questionnaires. To analyze the collected data in line with the overall objective of the research undertaking, statistical procedures were carried out. The results and discussion part of the study has been presented in different parts in line with the research questions. The following are the main headings: response rate, reliability and validity test, respondents' general information, descriptive statistics results, Pearson correlation and multiple regression analysis; and discussions were carried out.

4.2 Response Rate

A total 126 questionnaires were prepared and distributed to the 14 medium and large footwear manufacturing firms, each getting 9 questionnaires. From this 12 firms have completed and returned the questionnaires, while 2 firms did not complete the questionnaires and didn't return them. From the total 126 questionnaires, 108 completed questionnaires are collected. This indicated that the response rate was 85.7%.Therefore; the response rate is found very well for further analysis of the data.14.3% of the respondents didn't return the questionnaires due to one firms sent the filled questionnaires lately and the other firm didn't volunteers to response.

Table 4.1. Response Rate

Questionnaires	number	Response rate (%)
Total sample size	126	100
Returned/collected	108	85.7
unreturned	18	14.3

Source: - Own survey result, 2019

4.3 Reliability Test Result:

As it is indicated in the table below, the reliability test result for the questionnaire is between 0.73 and 0.844 and the overall reliability is 0.892. Therefore, the scale reliability for this study is acceptable and reliable.

Table 4. 2 Reliability Test Result

Dimensions of variables	Number of items	Cronbach's Alpha
Product quality	3	0.727
capital	4	0.713
Technological capability	3	0.816
Export knowledge	4	0.788
Global competition	4	0.844
Export promotional support	3	0.811
export performance	8	0.819
Overall reliability	29	0.892

Source: - Own survey result, 2019

4.4 Diagnostic Tools Assumption for Regression

4.4.1 Normality test

The normality of the data should be tested before running the regression analysis because multiple regressions require the independent variables in the analysis be normally distributed Normality test is used to determine whether sample data has been drawn from a normally distributed population or the population from which the data came is normally distributed. Normality was checked by two terms i.e. kurtosis and skewedness. As a rule of thumb, the data is normally distributed the skewness and kurtosis should be fall within the range of -2 and 2. As can be seen from the table below, the result is within the range; hence, the data is normally distributed.

Table 4.3.Skewness and Kurtosis test result

	Skewness		Kurtosis	
variables	Statistic	Std.Error of Skewness	Statistic	Std.Error of Kurtosis
Product quality	0.313	0.233	0.576	0.461
capital	0.791	0.233	1.466	0.461
Technological capability	0.596	0.233	0.118	0.461
Export knowledge	0.572	0.233	1.174	0.461
Global competition	0.516	0.233	0.864	0.461
Export promotional support	0.556	0.233	0.793	0.461
export performance	0.522	0.233	-0.225	0.461

Source: SPSS output

Another normality test was checked in histogram graph .According to Brooks (2008), if the residuals are normally distributed, the histogram should be bell shaped and thus this study implemented graphical methods to test the normality of data. From the Histogram figure seen on the appendix it can be noted that the distribution is normal curve, demonstrating that the data witnesses to the normality assumption.

The normal probability plots were also used to test the normality assumption as shown on the appendix it is normal P P-Plot figure. It shows the residuals were normally distributed around its mean of zero which indicates that the data were normally distributed and it was consistent with a normal distribution assumption. The P-Plot figures confirmed the normality assumption

of the data and imply that inferences made about the population parameters from the sample statistics tend to be valid.

4.4.2 Multicollinearity test Diagnostics

Before conducting the multiple regression analysis, one should check the problem of multi collinearity which resulted in high correlations among the independent variables. Multicollinearity test in multiple regression analysis refers to the correlation among the independent variables (Kline, 1998). The two common multicollinearity tests are tolerance and variance inflation factor (VIF).Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula 1–R2 for each variable and the Variance Inflation Factor (VIF) is the influence of correlations among independent variables on the precision of regression estimates. According to (Dormann-et-el-2013), multicollinearity is not a threat if a tolerance value is not less than 0.1 and variance inflation factor (VIF) is greater than 10. The researcher checked both tolerance and VIF among the independent variables and found out that the value of tolerance is greater than 0.1 and VIF is less than 10, as shown in table 4.7. Therefore, the result confirmed the absence of multicolinairity according to collinearity Statistics table below.

Table 4.4. Collinearity Test result.

Independent variable	Collinearity Statistics	
	Tolerance	VIF
product quality	0.782	1.279
capital	0.634	1.577
technological capability	0.831	1.204
export knowledge	0.673	1.486
global competition	0.847	1.180
export promotional support	0.770	1.299

Source: SPSS output.

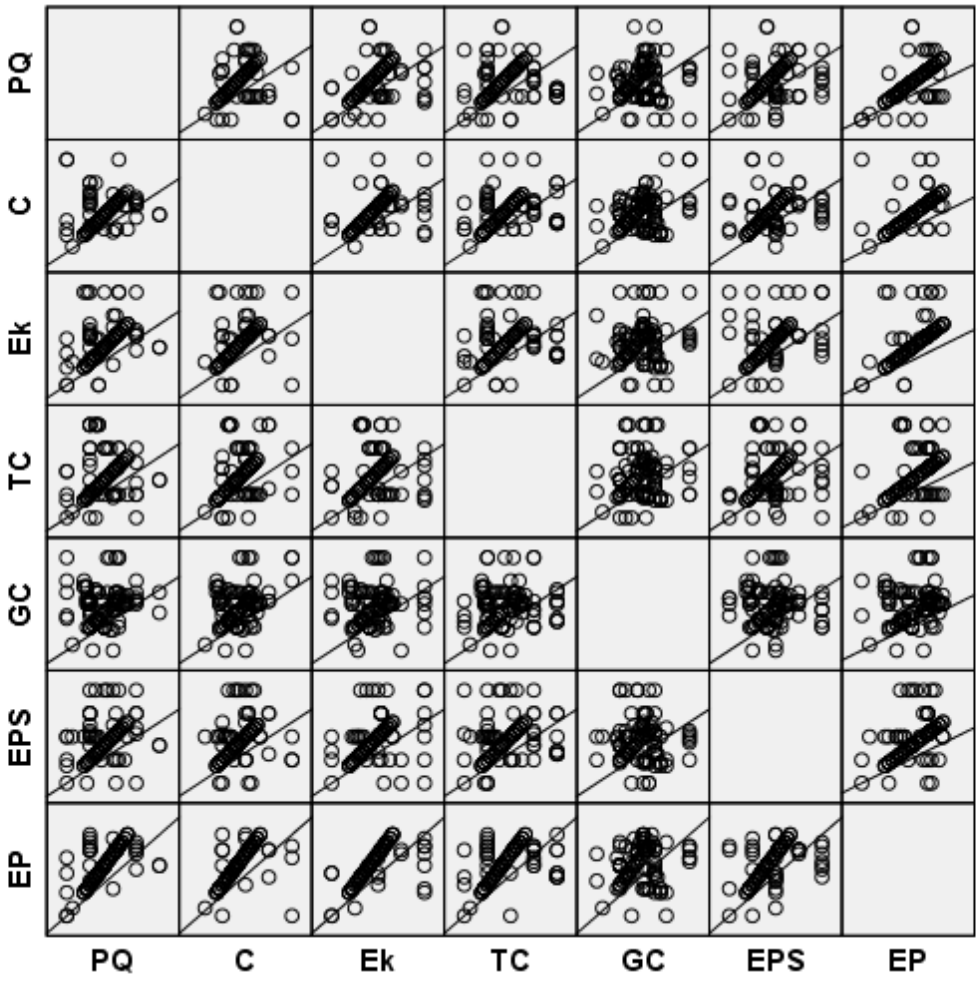
From the table above, the VIF values of all independent variables are less than 10 and the tolerance statistics are above 0.2; therefore, we can conclude that there is no multi collinearity treat within the data.

4.4.3 Assumption of Linearity of the model diagnostics

The matrix scatter plot below shows the relationship of dependent variable to each independent variable. As shown on the diagram we can say that the outcome variable is linearly related to each predictor variable.

Using the standardized residuals and standardized predicted variable the residuals are plotted which centered on 0. The points are scattered and no obvious pattern is recorded therefore, the plots support the assumption of linearity.

Figure 2. Matrix scatter

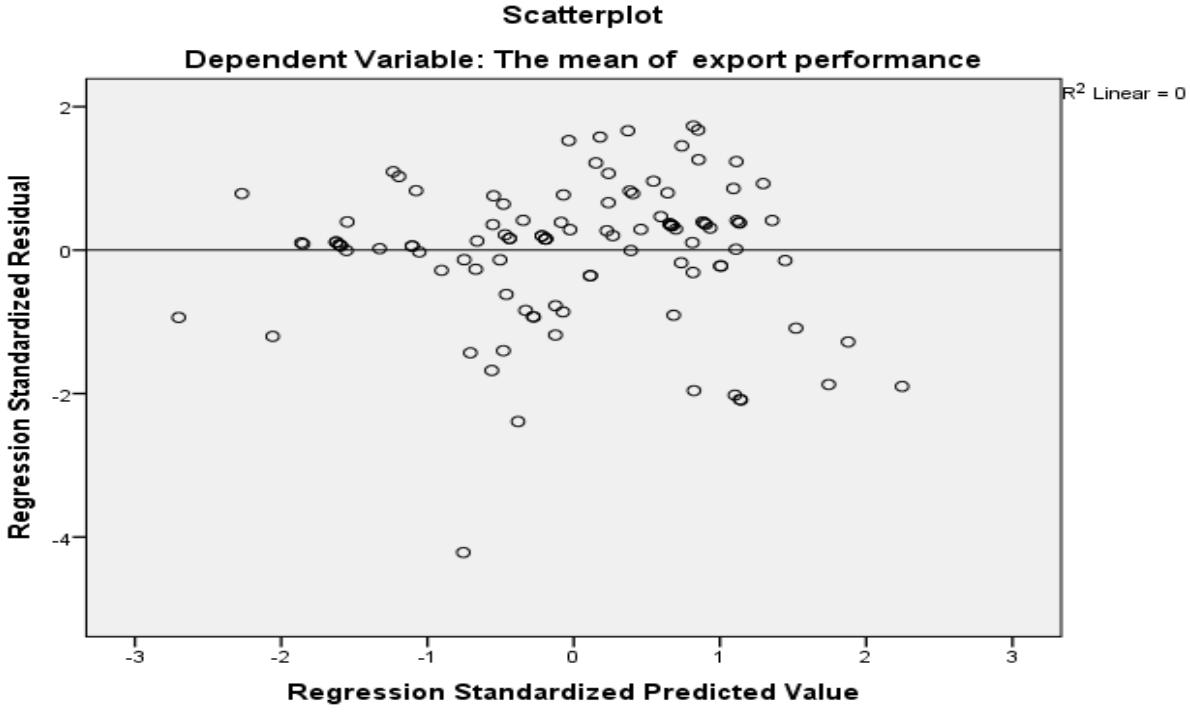


4.4.4 Assumption of Homoscedasticity diagnostics

Homoscedasticity is an assumption in regression analysis that the residuals at each level of the predictor variables have similar variances. At each point along any predictor variable, the spread of residuals should be fairly constant. We first plot *ZRESID (Yaxis) against *ZPRED (X-axis) on SPSS because this plot is useful to determine whether the assumptions of random errors and homoscedasticity have been met (Field, 2009). The graph of *ZRESID and *ZPRED should look like a random array of dots evenly dispersed around zero. If this graph funnels out, then the chances are that there is heteroscedasticity in the data. If there is any sort of curve in this graph, then, the chances are that the data does not fulfill the assumption of linearity (Field, 2009). The scattered plot shows the residuals at each level of Explanatory variables are evenly dispersed around zero and that the graph is not scattered and cone shaped. Therefore, this study has no homoscedasticity problem.

The requirement for this assumption is that the variation about the predicted values is constant regardless of whether the predicted values are large or small. As can be seen above, because the dots are scattered it indicates that the variances of the residuals are constant.

Figure 3. Scatterplot graph



4.4.5 Assumption of independent errors diagnostics

This assumption similarly states that successive residuals should be independent and there must be no pattern to the residuals. Therefore, as can be seen above both positive and negative residuals are displayed which indicates that there is a random distribution of positive and negative values across the entire range of the variable plotted on the horizontal axis which support the assumption.

4.5. Demographic Profile of the respondent

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

Table 4 5. Demographic Characteristics of respondent (N=108)

No.	Characteristics	Description	Frequency	%
1	Gender	female	25	23.1
		male	85	76.9
2	Age	18-25	1	0.9
		26-34	41	38
		35-43	61	56.5
		44-52	4	3.7
		53-60	1	0.9
3	Marital status	single	34	31.5
		married	53	49.1
		divorced	21	19.4
4	Educational background	primary	2	1.9
		secondary	20	18.5
		diploma	45	41.7
		degree	24	22.2
		masters	17	15.7
5	Current position/title	Owner/general manager	10	9.3
		Department manager	35	32.4
		Supervisor/team leader	63	58.3

6	Years of service	Less 5	17	15.7
		5-10	45	41.7
		10-15	31	28.7
		More than 15	15	13.9

Source: - Own survey result, 2019

In the sample survey, the general information of the respondents of Ethiopian domestic leather footwear manufacturing firms is presented in Table 4.2 .The gender of the respondent in the study consists of 25(23.1%) female and 83 (76.9%)) 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, 41(38%) of being between 26-34 years of age ,4 (3.7%) between 44-52 years old , 61(56.5%) are between 35-43 years of age, and the remaining 1 (0.9%) respondents are between 18-25 and 53-60 years of age in each range. From the data the respondents between 35-43 years old is dominated (56.5%) and we can say that majority of respondents were well matured.

From the total 108 respondents involved, the marital status of the respondents are 53 (49.1%) are married, 34 (31.5%) are single and the other 21 (19.4%) are divorced and the educational status of respondents are 17 (15.7%) of the respondents holds master's degree, 24(22.2%) first degree, 45(41.7%) diploma holders,20 (18.5) secondary and 2 (1.9%) primary certificate holders. The results showed that majorities of respondents which are participating in the study were well educated and have the ability to understand the questionnaire easily. In terms of the current occupational position of the respondents in the company, majority of 63 (58.5%) the respondents are supervisors/team leaders, followed by department mangers 35 (32.4%) and owners/general managers 10 (9.3%).

With regards to years of service in the firm, 45 (41.7%) respondents had an experience of from 5 to10 years,17(15.7%)of the respondents worked for less than 5 years, whereas 31(28.7 %) and 15(13.9 %) of the respondent worked for 10 to 15 years and more than 15 years respectively in the sector.

4.6. Descriptive Statistics Results

In this sub-topic descriptive statistics, mean and standard deviation are presented to illustrate the level of agreement of the respondents. The responses of participants for the items in each variable were measured in five point Likert scale: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5=strongly agree. All the items used to measure the effect of product quality, capital/finance, export knowledge, technological capability, and global competition and export promotional support on export performance of domestic footwear firms.

Table 4. 6.Descriptive Statistics Result (N=108).

variables	Mean	Std. Deviation
Product quality	2.64	.779
capital	2.75	.692
Technological capability	2.81	.958
Export knowledge	2.84	.844
Global competition	2.91	.810
Export promotional support	2.85	.871
export performance	2.68	.594

Source: - Own survey result, 2019.

As presented in the above table, the product quality mean is (M=2.64) with a standard deviation of (Std. Deviation= 0.779), capital with mean (M=2.75) and standard deviation (Std. Deviation =0.692), technological capability with mean (M=2.81) and standard deviation (Std. Deviation=0.958), export knowledge with mean (M=2.84) and standard deviation (Std. Deviation=0.844), export promotional support with mean(M=2.85) and standard deviation (Std. Deviation=0.871),global competition with mean (2.91) and standard deviation (Std. Deviation=0.810) and export performance with mean (M=2.68 and standard deviation (Std. Deviation=0.594) .

The standard deviation is a measure of how well the mean represents the data and the data with small standard deviation (relative to the value of the mean itself) indicates that the data points are close to the mean. Whereas, larger standard deviation (relative to the mean) indicates that the data points are distant from the mean i.e. the mean is not an accurate

representative of the data (Ephrem, 2017). Similarly, high standard deviation means that the data are wide spread, which means that the respondents give variety of opinion and the low deviation means that the participants express close opinion. Therefore from the above table we can understand that respondents seem to express a close opinion and the mean is a good fit of the data.

4.7. Correlation Analysis

Correlation analysis deals with relationships among variables and helps to gain insight into the direction and strength of relation between the variables. Correlation coefficients take values between -1 and 1 ranging from negatively correlated (-1) to uncorrelated (0) to positively correlated (+). The sign of the correlation coefficient defines the direction of the relationship. The absolute value indicates the strength of the correlation.

According to Member (2017) states that a correlation result which is 0 indicates zero correlation, a result which is between 0.1 and 0.3 indicates a weak correlation among variables, a result which is between 0.4 and 0.6 shows a moderate correlation, a result between 0.7 and 0.9 indicates a strong correlation among variables, while a result which is equal to 1 indicates perfect correlation.

Therefore to determine the relationship between independent variables (product quality, capital, export knowledge, technological capability, global competition and export promotional support) and dependent variable (export performance), Pearson correlation was computed.

Table 4. 7 Pearson Correlation

Correlations

		product quality	capital	export knowledge	technological capability	global competition	export promotional support	export performance
product quality	Pearson Correlation	1	.268**	.426**	.190*	.137	.310**	.651**
	Sig. (2-tailed)		.005	.000	.048	.158	.001	.000
capital	Pearson Correlation	.268**	1	.435**	.378**	.356**	.322**	.605**
	Sig. (2-tailed)	.005		.000	.000	.000	.001	.000

export knowledge	Pearson Correlation	.426**	.435**	1	.247**	.141	.383**	.658**
	Sig. (2-tailed)	.000	.000		.010	.146	.000	.000
technological capability	Pearson Correlation	.190*	.378**	.247**	1	.104	.261**	.463**
	Sig. (2-tailed)	.048	.000	.010		.283	.006	.000
The mean of global competition	Pearson Correlation	.137	.356**	.141	.104	1	-.016	.180
	Sig. (2-tailed)	.158	.000	.146	.283		.870	.063
export promotional support	Pearson Correlation	.310**	.322**	.383**	.261**	-.016	1	.499**
	Sig. (2-tailed)	.001	.001	.000	.006	.870		.000
export performance	Pearson Correlation	.651**	.605**	.658**	.463**	.180	.499**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.063	.000	

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

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

Source: SPSS output

As it shown in Table 4.6, there was a significant positive correlation between the independent variables (product quality, capital, export knowledge, technological capability and export promotional support) and dependent variable (export performance) at significant level of ($P<0.01$) except the global competition. The global competition is insignificant on export performance since ($P>0.05$) and it has a weak relationship with export performance with $r=0.18$. As it is indicated in the above table, the correlation coefficient between independent and dependent variables of product quality is $r= 0.651$, capital $r=0.605$, export knowledge $r=0.658$, technological capability $r=0.463$ and export promotional support $r=0.499$ at p value less than $0.01(P<0.01)$.All the five independent variables have positive moderate relationship with export performance whereas global competition is weak relationship with export performance. Therefore, these results supported the previous hypothesis that there is a positive correlation between the independent and dependent variable except the global competition variable.

4.8 Multiple Linear Regression Analysis

Multiple regression analysis is a statistics technique used to investigate the relationships between a dependent variable and two or more independent variables (Kothari, 2007). The regression analysis was conducted to know by how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (product quality, capital, export knowledge, technological capability, global competition and export promotional support) explained the dependent variable (export performance). The results of the regression analysis are as follows.

4.9 Model summary

Multiple R is the correlation between the observed and predicted values of outcome by the multiple regression models. The large values of the multiple R represent a large correlation between the predicted and observed values of the outcome. A multiple R of 1 represents a situation in which the model perfectly predicts the observed data. R square (R^2) is the coefficient of determination that indicates the proportion of variance in one variable explained by a second variable. And the adjusted R^2 tells us how much variance in the outcome would be accounted for if the model had been derived from the population from which the sample was taken (Field, 2009).

Table 4.8. 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	0.866a	0.750	0.735	0.306	0.750	50.519	6	101	0.000

a. Predictors: (Constant), export promotional support, global competition, technological capability, product quality, export knowledge, capital

From the model summary table 4.7, R has the value 75 % which represents the overall correlation between the independent variables (product quality, capital, export knowledge, technological capability, global competition and export promotional support) and dependent variable (export performance) of Ethiopian local footwear manufacturing firms. The predictor

variables (R^2) have accounted for 75% and the adjusted R square of 73.5% with estimated standard error deviation of 0.306. Thus, 75% of the variation in export performance could be explained by the six independent variables. The other 25 % are presented by other variables out of this model.

4.10 ANOVA Results

Table 4.9. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.293	6	4.715	50.519	.000b
	Residual	9.427	101	.093		
	Total	37.720	107			

a. Dependent Variable: export performance

b. Predictors:(Constant),export promotional support, global competition, technological capability, product quality, export knowledge, capital

The above table 4.8 shows that the F-ratio in the ANOVA tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable, F (6,101) = 50.519 at p <0.05, thus the regression model is a good fit of the data

Table 4. 10. Regression Coefficients of determinant factors of export performance[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.168	.170		.987	.326
	product quality	.293	.043	.385	6.837	.000
	capital	.237	.054	.277	4.433	.000
	technological capability	.114	.034	.184	3.369	.001
	export knowledge	.197	.043	.281	4.629	.000
	global competition	-.021	.040	-.028	-.523	.602
	export promotional support	.092	.039	.134	2.372	.020

a. Dependent Variable: export performance.

Based on the unstandardized coefficients we obtain the regression equation:

EP= 0.168 + 0.293 PQ + 0.237 C + 0.114 TC+0.197 EK+.092EPS

Where: EP=export performance, PQ=product quality, C=capital, TC=technological capability, EK=export knowledge, GC=global competition and EPS=export promotional support.

From the multiple regression tables 4.9, product quality, capital, export knowledge, technological capability and export promotional support are significantly determined and predicted for export performance, since their p-value is 0.000, 0.000, 0.000, 0.001 and 0.020 respectively which is less than the level of significance 0.05.They are significant and have a positive relationship with dependent variable of export performance. However, the remaining variable such as global competition is not significantly predict the export performance of the Ethiopian local footwear manufacturing export firms since the p-value(0.602) is greater than the level of significance 0.05.

As it is indicated in the table 4.9, the product quality has a positive significant effect on export performance with b coefficient of 0.293 and beta coefficient 0.385. It means that a product with a required quality increases the export performance of the footwear firms i.e. a one unit of quality improvement, the there is a 0.293 unit of export performance improvement. Many previous studies also supported this findings that improvements the dimensions of product quality lead to increased sales and large market share as the result increased the export performance of the firms Garvin (1984), Christensen and Da Rocha (1994), Samir and Lirim(2016) and Gebreyohannes(2016).

Capital is a significant and positive influence on export performance of the firms with b coefficient of 0.237 and beta coefficient 0.277 shows that a one unit capital increase there is 0.237 units of export increase .It means that the accessibility of capital to local footwear firms increases the export performance. The finding is supported by Lee and Pennings (2001),Wiklund (1999) and Bikenesh (2012). Finance specially the foreign currency is a determinant factor for export market to purchase raw materials, in research overseas markets, visiting foreign customers, adapting the export marketing strategy etc. (Al-Hyari *et al.*, 2012).

Technological capability also has a significant and positive impact on export performance with b coefficient of 0.114 and beta coefficient 0.184.The result indicated that the presence of

the technological capability in the firm, the export of the firms will increase indicated that a unit improvement in technological capability, export performance will improve by 0.114 units. This finding is in line with the finding of Flor and Oltar (2005) that technological capability plays an outstanding role in ensuring the firms to achieve a higher level of international performance and to compete successfully in foreign markets but it contradicts with the finding of kifelew (2018) that he found technological capability is insignificant effect on export competitiveness.

From the table shown above, export knowledge has a positive significant effect on export performance of firms with b coefficient of 0.197 and beta coefficient 0.281.The result indicated that firms which have international export knowledge information can effectively identify potential markets or foreign opportunities. This increases the export performance of the firms. Hence a unit change in export knowledge, the export performance will change by the unit of 0.197. This finding is consistent indirectly with Albaum, Strandskov and Duerr (1998) explained that market opportunities abroad might use strong pressure upon a firm's willingness to begin and expand exports.

Export promotional support from the government and no-government incentives are found to have a significant and positive effect on a firm's export performance. This empirical finding implies that export promotional support incentives can help the leather and leather products manufacturing firms to be competitive in the world market. The support helps the firms to find markets for their products, as well as provide them with a better understanding of products demanded in different export markets. In other words, government and non-governmental export promotion programs through financial support and non-financial support (e.g., management and technical assistance, and training support) is necessary to promote the export participation of leather industry as well as their export competitiveness. From the table above shown a unit change in export promotional support to the firms, export performance change positively by 0.092 units.

This result is consistent with the finding of Wu and Cheng (1999) and kifelew (2018) that promotional support finds are significantly determined leather industry export competitiveness.

Global competition is found to be insignificant predicator for export performance of the leather industry since the p-value is greater than the level of significance (p>0.05).It means that global competition has not much contribution for export performance of local footwear firms in Ethiopia.

4.11 Hypothesis Testing and Interpretation of Results

From the six independent variables of this study only one variable such as global competition is insignificant and has a negative impact on export performance. All the other five independent variables are found to be a significant determinates and they have a positive effect on export performance.

H1: Product Quality (PQ) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia.

Based the above regression analysis result, product quality has a positive significant effect on export performance with a coefficient of 0.293 at the significance level p<0.05.It means that a 1 % change of product quality, there is a 0.293% change of export performance. Thus, H1 is accepted.

H2*: Capital(C) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia*.

From regression analysis, capital has a positive significant effect on export performance with a coefficient of 0.237 at the significance level p<0.05. It means that a 1 % change of product quality, there is a 0.237% change of export performance. Thus, H2 is accepted.

H3: *Export Knowledge (EK) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia.*

The third hypothesis test result provided that export knowledge has a positive and significant relationship with export performance, where the coefficient value of 0.197 at p value < 0.05. It means that a 1 % change of technological capability, there is a 0.197% change of export performance. Thus, H3 is accepted.

H4: *Technological capability (TC) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia.*

The fourth hypothesis testing confirmed that technological capability has a positive and significant relationship with export performance, where the coefficient value of 0.114 at p value < 0.05. It means that a 1 % change of technological capability, there is a 0.114% change of export performance. Thus, H4 is accepted.

H5*: Global Competition (GC) has a negative impact on export performance of domestic leather footwear industry in Ethiopia*.

This hypothesis testing result indicated that global competition is found to be insignificant predicator for export performance of the leather industry since the p-value is greater than the level of significance (p>0.05). Therefore, the alternative hypothesis (H5) is rejected and null hypothesis (H0) is accepted.

H6: *Export promotional support (EPS) has a significant and positive effect on export performance of domestic leather footwear industry in Ethiopia*.

The last hypothesis testing of the regression analysis provide that export promotional support has a positive and significant relationship with export performance, where the coefficient value of 0.092 at p value < 0.05. It means that a 1 % change of technological capability, there is a 0.092% change of export performance. Thus, H6 is accepted.

Table 4. 11.Summary of Hypothesis Test and Interpretation Results.

Hypothesis	**Independent Variable**	**Dependent Variable**	**Relationship**	**Data analysis method**	**Result**
H1	product quality	Export performance	Positive	Correlation & Regression	Supported
H2	capital	Export performance	Positive	Correlation & Regression	Supported
H3	technological capability	Export performance	Positive	Correlation & Regression	Supported
H4	export knowledge	Export performance	Positive	Correlation & Regression	Supported
H5	global competition	Export performance	positive	Correlation & Regression	rejected
H6	export promotional support	Export performance	Positive	Correlation & Regression	Supported

Source: - Own survey result, 2019.

4.12 Discussion of the Results

The discussion part of the study provides a clarification of the above results in line with the research questions.

From the correlation analysis result, product quality (r=0.651), capital (r=0.605), export knowledge (r=0.658), technological capability (r=0.46), global competition(r=0.018) and export promotional support (r=0.499) are positively correlated with export performance but the global competition correlated weakly with export performance among the other variables which are correlated moderately.

With a similar manner, a multiple regression analysis result showed that the coefficient of determination (R^2) is 75%. It means that 75% of the variation in export performance could be explained by the six independent variables of product quality, capital, export knowledge, global competition, technological capability and export promotional support and other unexplored variables may explain the variation in export performance accounts for about 25%. The analysis results also indicated that the product quality, capital, export knowledge, technological capability and export promotional support are significantly determined and predicted for export performance at the level of significance p value< 0.05.The result of these findings confirmed and in lined with the proposed hypothesis in the literature. However, the remaining variable such as global competition is not significantly predict the export performance of the Ethiopian local footwear manufacturing export firms since the p-value(0.602) is greater than the level of significance 0.05 which contradicts the proposed hypothesis of this study.

The product quality has a positive significant effect on export performance with unstandardized Coefficients (b) coefficient of 0.293. It means that a one unit of quality improvement, the there is a 0.293 unit of export performance improvement. The result proved that firms produce a product with a required quality increases their export performance. Many previous studies also supported this findings that improvements the dimensions of product quality lead to increased sales and large market share as the result increased the export performance of the firms Garvin (1984),Christensen and Da Rocha (1994),Samir and Lirim(2016) and Gebreyohannes (2016). Hence product quality is an important factor for export performance.

From the analysis result, Capital is a significant and positive influence on export performance of the firms with unstandardized coefficient (b) of 0.237 shows that a one unit capital increase there is 0.237 units of export increase. The finding is supported by Lee and Pennings (2001),Wiklund (1999) and Bikenesh (2012). Finance specially the foreign currency is a determinant factor for export market to purchase raw materials, in research overseas markets, visiting foreign customers, adapting the export marketing strategy etc. (Al-Hyari et al., 2012).

The finding indicated that the accessibility of capital to local footwear firms is a determinant factor for the export performance.

From the regression analysis result showed that technological capability also has a significant and positive impact on export performance with unstandardized coefficient (b) of 0.114.The result indicated that the improvement of the technological capability in the firm will increase firms' export. It means that a unit improvement in technological capability, export performance will improve by 0.114 units. This finding is in line with the finding of Flor and Oltar (2005).They argued that technological capability plays an outstanding role in ensuring the firms to achieve a higher level of international performance and to compete successfully in foreign markets. But it contradicts with the finding of kifelew (2018) that he found technological capability is insignificant effect on export competitiveness. The result indicated that technological capability is an important determinant factor for export performance of domestic leather footwear industry in Ethiopia.

The finding indicated that export knowledge has a positive significant effect on export performance of firms with unstandardized coefficient (b) of 0.197.The coefficient indicates that a unit improvement in export knowledge, the export performance will change by the unit of 0.197.The result indicated that firms which have international export knowledge information can effectively identify potential markets or foreign opportunities and increases their export sales. This finding is consistent indirectly with Albaum, Strandskov and Duerr (1998) explained that market opportunities abroad might use strong pressure upon a firm's willingness to begin and expand exports.

Export promotional support from the government and no-government incentives are found to have a significant and positive effect on a firm's export performance with unstandardized coefficient (b) of 0.092. From the table above shown a unit change in export promotional

support of the firms, export performance will change positively by 0.092 units .This empirical finding implies that export promotional support incentives can help the leather and leather products manufacturing firms to be competitive in the world market. This result was supported with the finding of Wu and Cheng (1999) and kifelew (2018) that promotional support significantly determined leather industry export competitiveness.

Global competition is found to be insignificant predicator for export performance of the leather industry since the p-value is greater than the level of significance ($p>0.05$).It means that global competition has not much contribution for export performance of local footwear firms in Ethiopia.

Chapter Five

Summary, Conclusion and Recommendation of the Study

5.1 Introduction

This is last chapter of this study that covered the major findings of the study, the conclusion and recommendation based on these findings. In addition to this, the limitations of this study and suggestions for further research related to in these areas are also highlighted in this chapter.

5.2. Summary of findings

The main objective this study is to examine the effect of determinants on export performance of local leather footwear manufacturing firms in Ethiopia. In order to determine the factors that influence the export performance of domestic footwear manufacturing firms, descriptive and inferential statistical techniques were used to analyze the primary quantitative data collected through structured questionnaires from footwear firms. Appropriate tests were also undertaken in order to check the validity and reliability of questionnaires and the normality of the data. Descriptive statistics, correlation and multiple Regression analyses were carried out by using SPSS version 20 programs and the result is summarized as follow.

- From the total 126 questionnaires distributed, 108 completed questionnaires were collected indicated that the response rate was found 85.7%.
- In descriptive statics result, leather footwear product quality scored an overall mean of 2.64 with a standard deviation of 0.779, capital mean 2.75 with standard deviation 0.692, technological capability mean 2.81) with standard deviation 0.958), export knowledge mean 2.84 with standard deviation 0.844, export promotional support mean 2.8 with standard deviation 0.871,global competition mean 2.91 with standard deviation 0.810 and export performance mean 2.68) with standard deviation 0.594.All the standard deviations of independent and dependent variables were found to be small relative to the value of the mean itself(less than 1) indicated that the data points(observations) are close to the

mean and low deviation means that the participants express close opinion. Therefore, we can understand that respondents gave a close opinion and the mean is a good fit of the data.

- With regard to the Pearson correlation analysis results, there was a significant positive relationship between the independent variables (product quality, capital, export knowledge, technological capability and export promotional support) and dependent variable (export performance) at significant level of ($P<0.01$) except the global competition. They have a moderate positive relationship with dependent variables. The global competition has a weak relationship with export performance.
- In the multiple regression analysis, the model summary output indicated that the value of R is 75 % which represents the overall correlation between the independent variables (product quality, capital, export knowledge, technological capability, global competition and export promotional support) and dependent variable (export performance). It means that 75% of the variation in export performance is explained by these six independent variables. The other 25 % are explained by other variables out of this model.
- The results of regression analysis indicated that product quality, capital, export knowledge, technological capability and export promotional support have a positive significant effect on export performance having a regression coefficient of 0.293, 0.237, 0.197, 0.114 and 0.092 respectively. The finding confirmed that these independent variables are the determinant factors for the growth of export to local footwear manufacturing firms in Ethiopia. Product quality and capital are more determinant factors for the growth of export performance. On other hand, global competition has insignificant effect on export performance since the p-value is greater than the level of significance ($p>0.05$).

5.3 Conclusion

The finding of this study shows that the growth of export performance of local footwear companies in Ethiopia is determined by product quality, capital, export knowledge, technological capability, global competition and export promotional support.

- Product quality has become the determinant of the export of firms as it ensures adaptability to increasingly dynamic market requirements. The finding of this research confirmed that a firm can increases its export performance by producing a quality product to international market.
- A firm who has an access to finance/capital can increase its export in the international market. The finding confirmed that capital is the key determinant factors of export performance.
- Export knowledge and information are one of the most significant sources that enable exporting firms to be successful. The research finding indicated that capital has a positive significant effect on export performance local footwear manufacturing firms in Ethiopia.
- Technological capability has positive significant effect on export performance of firms. Firms with better technological capability can secure greater efficiency gains by pioneering process innovations and can achieve higher differentiation by innovating products in response to the changing market environment. It plays an outstanding role in ensuring the firms to achieve a higher level of international performance and to compete successfully in foreign markets.
- From the result of finding, the researcher concluded that export promotional support is an important factor for export performance of local footwear companies in Ethiopia especially for small and medium firms. Export promotion support helps to the exporters (firms) to find markets for their products, as well as provide them with a better understanding of products demanded in different export markets.
- From the above analysis result, it is possible to conclude that global competition has insignificant effect on export performance for local footwear companies in Ethiopia.

Generally, it can be conclude that the five export determinants namely product quality, capital, export knowledge, technological capability and export promotional support are positively related whereas global competition negatively related to export performance of local footwear companies in Ethiopia

5.4 Recommendation

Based on the findings of the study and conclusions drawn from them, the following possible and plausible recommendations are suggested for actions to be undertaken by each stakeholder at different levels:-

- In order to improve export performance through increased sales and market share in the international market, firm has to produce a quality product according to the customer's specification. Another important point is that Ethiopian local firm has to implement a quality management system as a tool.
- Local firms must have a skilled manager or hire a manager who has international marketing export knowledge in order to know dynamic world market information.
- With the current Ethiopian financial shortage and the banking system procedures, exporters cannot produce and deliver their products to the customers on their contractual date. Hence, government has to device an easy access of financial system procedures for local firms in order to enter in the international market.
- Ethiopia leather and leather product manufacturing industries have a limitation in technological capability to compete their competitors in the international market. It is advisable that local firms share and acquire a technological know-how from foreign company in Ethiopia and in abroad making a partnership with them. In addition to this, government has to support the industries to have a technological capability through ministry of science and technology (MOST) and institutions.
- Currently there is no any export promotional support for export firms from government and non-governmental organization. Local firms require a help and guidance to identify potential export opportunities, to do market research, to participate in foreign trade shows etc. Therefore, the governmental and non-governmental institutions should have support local manufacturing firms in export promotions in the international market.

Generally, in order to increase the competency of local footwear firms in the international market, it is recommended that firms have to improve their product quality, export knowledge, and technological capability on their side. On the other hand, the government has to introduce special incentives that promote the export manufacturing industry in terms of finance accessibility and promotional support

5.4. Limitations and Suggestions for further study

The limitation of this study was that it focused only specific determinant factors of export performance but there are many other factors that affect export performance along the value chain in the sector. This research can be further explored by adding more determinant factors like logistics, inputs/raw materials, managerial capability and others which could influence the export performance of footwear firms.

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(https://en.wikipedia.org/wiki/Export_performance)

Appendix A: Questionnaires

Addis Ababa University

College of Business and Economics

School of Commerce

Degree of Masters of Marketing Management

Questionnaire to be filled by domestic leather footwear export companies in Ethiopia

Dear Respondent,

This questionnaire designed to collect data about the "**determinants of export performance of domestic leather footwear export firms 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 of the Requirements for the Award of Degree of Masters of Marketing 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.

AntigegnKebede

Phone: - +251-911 30 26 80

Email: - antigegn2006@gmail.com

General Instructions

1. No need of writing your name.
2. Please fill the answer by putting "√" mark.
3. Please return the completed questionnaire as much as possible.
4. 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 ☐ 35-43 ☐ 44-52 ☐ 53-60 ☐ above 61

3. Marital status: ☐ single ☐ married ☐ divorced

4. Education level: ☐ Primary education ☐ Secondary education ☐ Diploma ☐ Degre ☐ Masters ☐ PHD

5. Your position in the organization:

☐ Owner (general manager) ☐ department manager ☐ Supervisor

6. Years of service in the company: ☐ Less than 5 years ☐ 5- 10 years ☐ 11-15 years ☐ more than 15 years.

Part II. In the following box, there are the lists of expected determinant factor that affect the export performance of leather footwear industry 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	Internal Factors	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		(1)	(2)	(3)	(4)	(5)
Product Quality						
7	Your firm produces according to customers specifications					
8	Most of the time your firm faced problems to comply customers request.					
9	Your firm offered Range of quality products to export market					
Capital						
10	There is difficulty in timely obtaining working capital or foreign currency from financial institutions					
11	The collateral requirement from lending institutions is a serious constraint for the industry.					
12	Loan processing procedures of banks and other lending institutions are too complicated and time consuming.					
13	The costs of loans for export finance are high for your firm.					

Export knowledge						
14	The company has updated customer information					
15	The company has current market information					
16	The company has current Competitor information in international market.					
17	The company has Supply chain channels information					
External Factors		Strongly Disagree	Disagree	Neutral	Agee	Strongly Agree
		(1)	(2)	(3)	(4)	(5)
Technological capability						
18	The company frequently modifies production process with upgrading technology.					
19	Your firm modifies products according to export market demand by using upgrading technology.					
20	The company develops and test new product design generated from our own.					
Global competition						
21	The competitive environment in our main export country requires us to modify our existing product and/or marketing and/or manufacturing processes					
22	A new competitive move almost every day in our main export country					
23	Our competitors are relatively weak in our main export country.					
24	Price competition is a hallmark of our leather					

	industry in our main export country with substitute products(non-leather products)					
Export promotional support						
25	There is frequent communication with suppliers and customers, foreign visit and participation in trade fair and promotion activities to reach and maintain market.					
26	There is strong government and non-governmental support for export promotion to participate in the international trade fair/exhibition to promote your products, business to business (B2B or B2G) meeting etc.					
27	There are enough supporting institutions and associations that promote the sector in the international market.					

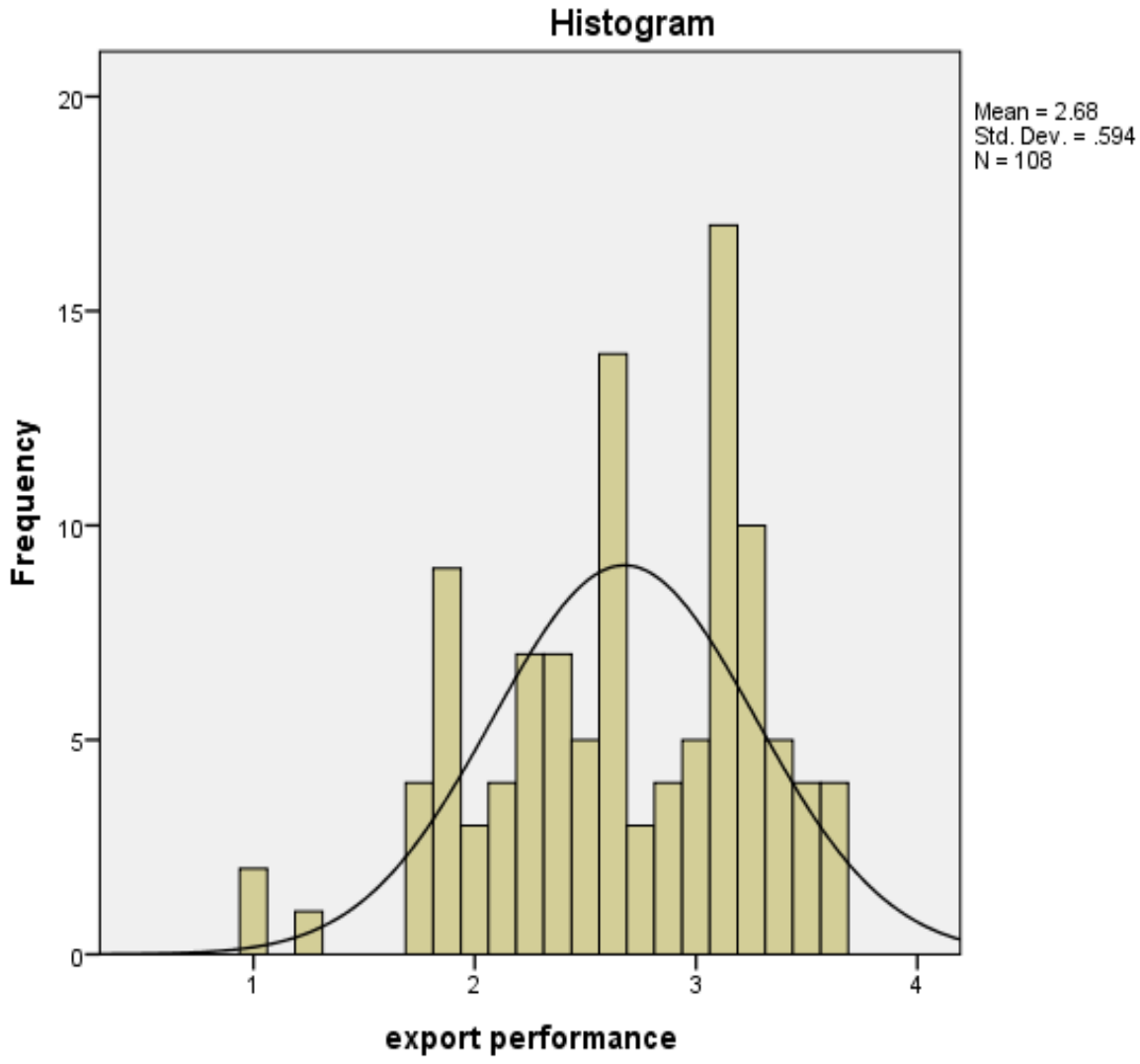
PART IV: EXPORT PERFORMANCE

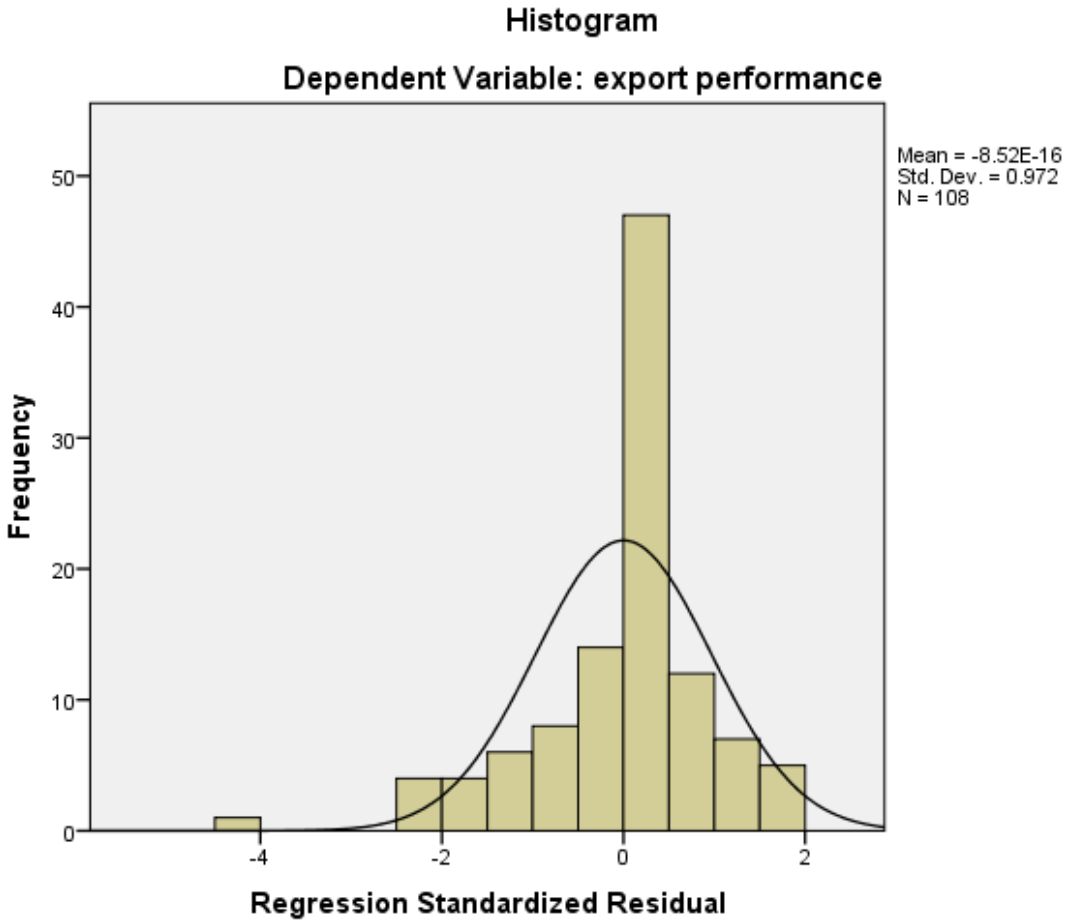
The intention of this section is to obtain your opinions, feelings, or beliefs about the export performance of your firm. Please indicate the extent to which the following statements are true of your firm's achievement on exporting objectives, over the last 5years. Please CIRCLE as appropriate, using the scale below.

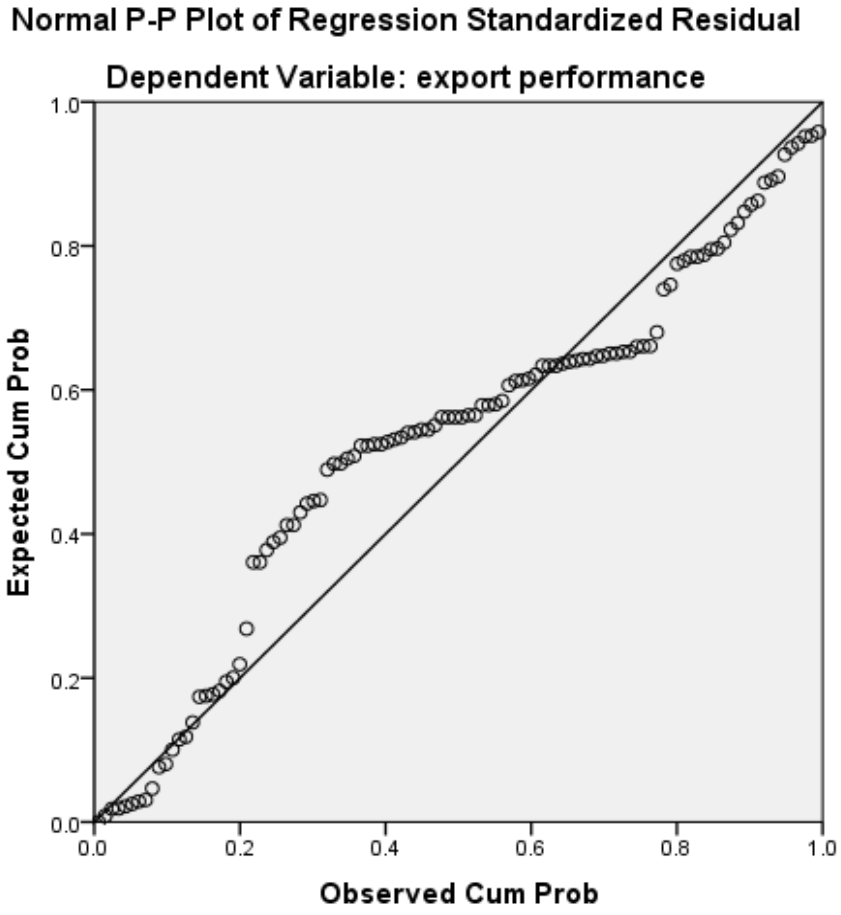
l=strongly disagree 2=disagree 3= neutral 4= agree 5 =strongly agree

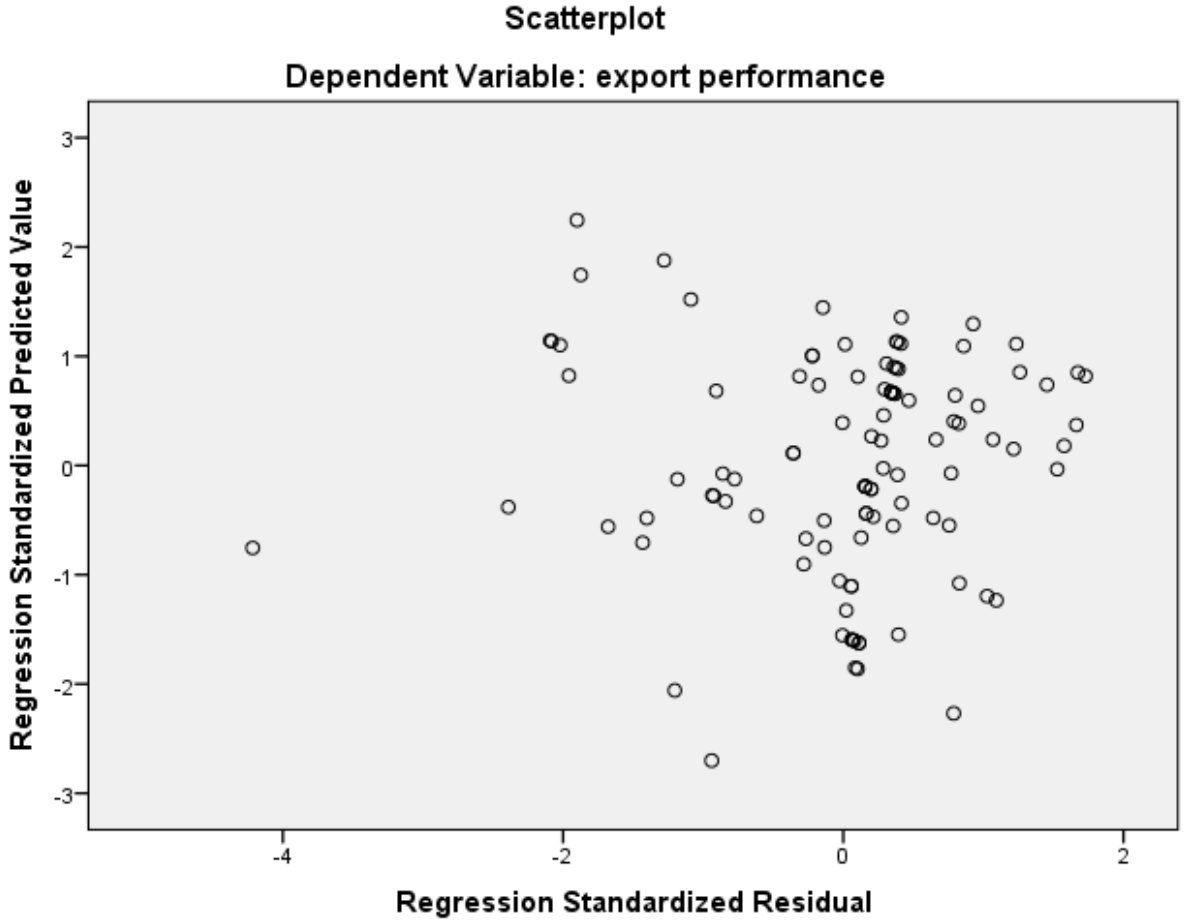
Export Performance		strongly disagree	disagree	neutral	agree	strongly agree
		(1)	(2)	(3)	(4)	(5)
28	Our quality product improved the firm's export and international competitiveness.					
29	Our export has strengthened due to governmental support in terms of international market information					
30	Global competition affected our export.					
31	Our firms became profitable through export because of the accessibility of finance.					
32	Through exporting, the firm has generated a high volume of sales as the result of marketing knowledge and information					
33	The firm's exports have achieved rapid growth due to technological capability					
34	Our firm's export increased as a result of government incentive in export promotion.					
35	Institution & association support in technology and market research increased our export.					

Annex: Graphs




Histogram
Dependent Variable: export performance
Mean = -8.52E-16
Std. Dev. = 0.972
N = 108
Frequency
50
40
30
20
10
0
-4
-2
0
2
Regression Standardized Residual


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: export performance
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0


Scatterplot
Dependent Variable: export performance
Regression Standardized Predicted Value
Regression Standardized Residual
3
2
1
0
-1
-2
-3
-4
-2
0
2

Matrix scatter