
# DETERMINANTS OF EXPORT PERFORMANCE OF THE TEXTILE AND GARMENT COMPANIES IN ETHIOPIA

**By**

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# Statement of Certification

This is to certify that **Eyelachew Muluye Alemu** has carried out his research work on the topic entitled **Determinants of Export Performance of the Textile and Garment Companies in Ethiopia** is his original work and is suitable for submission for the award of Master's Degree in Marketing Management.

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May, 2018

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# Statement of Declaration

I, Eyelachew Muluye, hereby declare that the thesis entitled **Determinants of Export Performance of the Textile and Garment Companies in Ethiopia** is the outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfilment of the degree of MA in Marketing Management.

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## Abstract

*The objective of this study was to examine the determinants of export performance of textile and garment companies in Ethiopia with regard to export market knowledge, management competence, technology, product quality, infrastructure and policy and regulation. A quantitative research design and explanatory research approaches were used. Primary data sources through questionnaire were used. Statistical Package for the Social Sciences (SPSS) version 20 was used to analyze the data. The study had 81.6% response rate. To achieve the objectives a conceptual model was formulated by reviewing previous related literatures, hypotheses were developed and tested. The variation explained by the regression of all the predictor variables on export performance was 96.4%. It can be said that there is a relatively good fit between the model and data. Correlation between the independent and dependent variables indicates a degree of less multi-collinearity. According to the findings, management competence, export market knowledge, technology, policy and regulation and product quality have positive and significant effect on export performance. Even though infrastructure also has positive relation on export performance, its effect was not statistically significant. Export performance was mainly influenced by management competence followed by export market knowledge, technology, policy and regulation, and product quality. Infrastructure did not show a statistically significant effect. Therefore, textile and garment export companies could benefit from considering management competence as main targets for their better export performance, they could also benefit from scaling up the knowledge of employees with regard to export market, and equipped with state-of-the-art technologies, relaxed policy and regulation and product quality to have competitive advantages and manage needs of their customers in the international market.*



***Key words:*** *Export, Export Performance, Textile, Garment, Company.*

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## Acronyms

| | |
|---|---|
| AGOA | African Growth and Opportunity Act |
| CEOs | Chief Executive officers |
| COMESA | Common Market for East and Southern Africa |
| EBA | Everything But Arms |
| EU | European Union |
| FDI | Foreign Direct Investment |
| GSP | General System of Preferences |
| KBV | Knowledge Based View |
| LDCs | Least Developed Countries |
| NTB | Non-Tariff Barriers |
| SMEs | Small and Medium enterprises |
| TBT | Technical Barriers to Trade |
| TIDI | Textile Company Development Institution |
| TNCs | Transitional Corporation's |
| US | United States |

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# CHAPTER ONE

## 1.1. Introduction

This study tries to examine how export performance of textile and garment companies in Ethiopia is affected by such factors as Export market knowledge, Management competence, Technology, Product Quality, Infrastructure and Policy and Regulation. Although previous studies have shown positive effects of each of this relation-oriented individuality on export performance, one important question has not yet been answered: What is the impact of each independent variable on export performance in the case of Ethiopian textile and garment companies? Therefore, the study attempted to answer the question.

### 1.1.1. Background of the study

The Ethiopian government has spearheaded the textile and garment sector as one of the key priority sectors for the generation of future employment and to realize its aim to enhance foreign currency earnings. This is supported by the creation of various company policies and incentives to attract foreign direct investment (FDI). Ethiopian textile and garment products have duty free access to the European Union (EU) and the United States (US) market through the African Growth and Opportunity Act (AGOA) and are part of the General system of preferences (GSP) and Everything but Arms (EBA). GSP is one of several trade preference programs through which the United States seeks to help developing countries expand their economies. Other US trade preference programs are regionally focused, including AGOA (Jones, 2017).

The Ethiopian industrial development policy has put the textile and garment industry on the van position to accelerate the country's industrialization process. Textile and garment production and trade have been important elements of economic activity since the industrial revolution. This is because textiles and garment products serve as basic human needs. Moreover, textile and garment company, particularly garment is labour-intensive and offers huge employment opportunity for a mass of people. The textile and garment companies mainly garment remains labour intensive globally. Above all modest capital requirement makes textile and garment companies preferable at the start of the industrial revolution (Yared, 2010).

The determinants of export performance are classified into internal and external factors. Internal determinants are backed by the resource-based theory, while external determinants are supported by the industrial organization theory.

The resource-based theory sees a firm as a unique bundle of tangible and intangible "resources" or instance, assets, capabilities, processes, managerial attributes, information, and knowledge which are controlled by a firm and that enable it to conceive and implement strategies aimed at improving its efficiency and effectiveness (Barney, 1991; Daft,1983; Wernefelt, 1984). The Ethiopian Textile value chain starts from cotton farming to the final garment manufacturing and eventually transport and shipping as shown below:

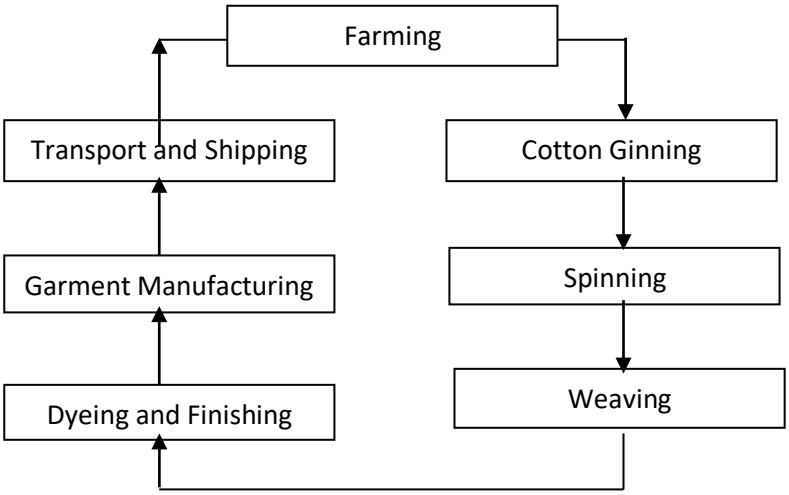


Fig. 1: The value chain of Ethiopian Textile.

Ethiopia's long history in textiles began in 1939 when the first garment factory was established. Based on Ethiopian country data, in the last 5 to 6 years, the textile, and apparel industry have grown at an average of 51% and more than 65 international textile investment projects have been licensed for foreign investors, during this period. The growth in the textile industry is directly linked to the Government's move to set up an industrial development strategy. This step of the Ethiopian Government to prioritize designing incentives and policies to attract investment in view of worldwide competition has played a big role in the development of their economic status (Alliance Experts, 2018).

Although Ethiopia is a recommended market for investment in textiles, there are still a lot of challenges that the country and investors are facing. One of these challenges is the efficiency

in factories which is as slow as 40 to 45% in production both in textile or garment assembly units. This problem is mainly due to underdeveloped processes and lack of education amongst manpower. The lack of marketing is also a concern for the textile industry in Ethiopia. Many factories with state-of-the-art machinery are currently idle. Ethiopian companies need to adopt a more aggressive marketing strategy to eradicate this concern. Challenges also include restrictions in technology specifically in the underdeveloped digital processing of transactions. Lack of efficient systems using basic technology tools such as emails etc is a hampering factor too (Alliance Experts, 2018).

As far as Ethiopian textile and garment companies are concerned, a lot has been done to mitigate the problems faced in the textile and garment companies by using objective measures such as profit, volume of sale and market share. So, it is important to identify factors that affect the export performance of firms (textile and garment companies) based in developing countries in order to improve their competitiveness in the global market using subjective measures. With regard to the volume of bilateral trade, Ethiopia is important commercial partner for its neighbours such as Kenya, Somalia, and the Sudan and more importantly to the US and EU countries. Study of the barriers that affect the export performance of Ethiopian firms towards its neighbours and other US and EU countries could help managers of Ethiopian firms improve the export performance of their companies.

Nowadays, there are a number of textile and garment companies in Ethiopia including the newly established Industry Parks at Bole Lemmi, Eastern Industrial Zones, Hawasa and Kombolcha. The Government of Ethiopia intends to expand (enlarge) the export performance of these industry parks to maintain hard currency. Therefore the participation of these actors by large is important to strengthen the export performance of the textile and garment manufacturing companies. Intensified global rivalry among textile and garment companies in India, Bangladesh, and many others in Asian countries will lead local and foreigner investors to think seriously about how to compete effectively and efficiently to stay longer in the export market. The question arises then which specific factors affect the export performance of textile and garment manufacturing companies under the conditions and circumstances in Ethiopia? Therefore, this research focused on identifying factors that significantly affect the export performance of these companies.

### 1.1.2. Statement of the problem

Export marketing environment is passing through a phase of rapid transformation, offering in the process more opportunities and presenting challenges for companies planning to operate globally. With the wind of globalization blowing across different parts of the planet earth, export activity has become an all-pervasive function of the business enterprise. The very important point of this transformation is to call for a shift of concepts in operating environment to conduct export business. Organizations have to follow highly professional managerial approach to meet emerging challenges and take advantage of growing opportunities. But the moguls (industrialists) and the export section managers would need to understand the dynamics of international business environment. Many countries have achieved rapid economic development through export led growth strategies. This strategy involves development of companies with export potential to bump up (augment) exports, thereby increasing foreign exchange earnings to pay for imports required to achieving the goal of economic development (Clara, 2014).

Moreover, the experience that could be gained through the export market will enable countries to meet future needs and prepare them to achieve competitive advantage.Marketing opportunities exist in all countries regardless of the level of economic development. To assume that only developed countries offer more market potential is a misconception that could be corrected. A particular market initially seems attractive because of its potential demand and size in terms of the number of consumers or their purchasing power. Yet the market may be attracting more than its share of competition, since the market is crowded by many competitors, it may not be as attractive as it appears in first stance (Clara, 2014).

According to Clara (2014) Ethiopia has an ancient heritage in weaving, which went back at least 3,500 years. She further explains that industrialized textile and garment production, on the other hand was started at Dire Dawa Textile Factory in 1939 during the brief Italian occupation from 1935 to 1940. Expansion on these earlier efforts came about in 1960's when the Imperial government of Ethiopia signed an agreement with the Indian government. Following the formal agreements between the two governments Akaki Textile Factory was established (Clara, 2014).

The Ethiopian Government industrial policy prioritizes its support and incentive for producers who are engaged in export market. Due to this policy limitation most cotton producers in order to secure government incentives, they prefer to export their product rather than gratifying domestic textile and garment producers. This raw cotton export creates problem on availability, quality and price of cotton for domestic textile and garment companies. Such condition has serious implication on the international market competitiveness of the sector. Along with these factors the sector faces myriads of problems to achieve the export plan each year. Textile and Garment companies fail to meet their export plan year after year. Different annual export performance reports of textile and garment companies show the gap between what is planned and what is expected. This is due to outdated machineries, problem of marketing strategies, lack of awareness to understand the behavior of export market, and lack of management competence to organize the internal and external environment of the companies with regard to export market. There have been quarterly meetings held by the Ethiopian Government with exporters including textile and garment at ministerial level to address the problems encountered in the sector such as the gap in technology, infrastructure, quality of the product, and so on. But there was no solution so as to improve the performance of export. Understanding the above mentioned problems this research was conducted to solve the existing problems using subjective measures.

### 1.1.3. Research Question

To achieve the purpose of the study, the researcher formulated the research question depending on the background and problem statement of the study. The main research question of this study was:

- What are the determinants of export performance of textile and garment Companies in Ethiopia and to what extent they affect it?

Specific research questions for the study were:

a) How does the export market knowledge of actors in the textile and garment company in Ethiopia determine export performance?
b) To what extent the competence of management of the textile and garment company in Ethiopia affect export performance?

c) How does the technology of the textile and garment company in Ethiopia influence export performance?
d) To what extent the product quality of the textile and garment company in Ethiopia influence export performance?
e) How does infrastructure of the textile and garment company in Ethiopia influence export performance?
f) To what extent the policy and regulation of the government in the textile and garment company in Ethiopia influence export performance?

Therefore taking the above questions in to consideration, the study attempted to answer the questions that are most important to impose their impact on the export performance of textile and garment Companies.

### 1.1.4. Research Objectives

#### 1.1.4.1. General Objectives

The general objective of the study was to examine factors that influence the export performance of textile and garment Companies in Ethiopia.

#### 1.1.4.2. Specific Objective

- To examine the export market knowledge of actors of the government and private textile and garment companies in Ethiopia.
- To analyze the competence of management that could affect the export performance of textile and garment companies.
- To examine how the technology of the textile and garment company influence the export performance of the companies.
- To determine to what extent the product quality influences the export performance of the textile and garment companies.
- To analyze the influence of infrastructure on the export performance of the textile and garment companies.
- To examine how the policy and regulation of the government of Ethiopia influence the export performance of the textile and garment companies.

### 1.1.5. Significance of the study

This study proposes and addresses the deep-rooted problems that determine the export performance of the textile and garment companies. The significance of this study is to enable textile and garment companies efficient and effective in the international market. The outcome of this research presupposes to improve the export performance of textile and garment companies and the respective investors and the government will benefit more from the study in securing hard currency.

Besides, the findings of this study are supposed to have important implications for both academics and research and development program in the companies. Considering that there is very little and fragmented research in this area, this study help academicians better understand the impact of variables like market knowledge, management competence, technology, quality, infrastructure, and policy and regulation on export performance. The results also provide guidance to managers in the textile and garment Companies.

Therefore the aim of this study was to provide an insight for textile and garment international marketers on subjective measurement factors which affect export performance. In addition, based on the findings, international marketers design their marketing strategies in efficient and effective manner so as to have sustainable competitive advantages. Moreover, the result will have paramount importance to be used as a baseline for further study.

### 1.1.6. Scope of the study

This study is restricted to factors that affect the export performance of textile and garment companies of Ethiopia only under the global market. The researcher identifies export performance indicators of textile and garment companies in Ethiopia with respect to marketing principles and practices of the foreign market and has the responsibility to indicate which factor is most important to affect export performance of textile and garment companies in Ethiopia in the export market.

There is, of course, great potential in the textile and garment companies that produce for the domestic market in improving the overall textile and garment company performance and in developing the country's economy. However, this study does not focus on the company's performance of the domestic market. The study mainly focuses on the textile and garment

companies engaged in export market. The population size covers all textile and garment companies meant for export market in the country.

### 1.1.7. Limitation of the study

This study is limited to such independent variables as export market knowledge, management competence, technology, product quality, infrastructure, and policy and regulation that are supposed to impact on export performance. While conducting this research proposal it is assumed that the researcher will face a great problem in reaching all government and private textile and garment companies in which they engage themselves in the export market. Due to this the researcher is limited to reach all but the main producers and exporters of textile and garment companies in the country. To encompass the entire government and private textile and garment companies in the country is time consuming, cumbersome, and it needs a reasonable amount of budget to conduct the research. Not only that, the production areas of textile and garment companies are found dispersedly in the country, to mention some Bahirdar, Kombolcha, Dire Dawa (Selendawa), Arbaminch textile factories, Adey Abeba yarn, BM Ethiopia garment, Ayka Addis, and many others including the newly established industry parks at Addis Ababa, Hawassa and Kombolcha. Therefore, this paper is limited only to the textile and garment manufacturing companies that contribute to enhance the export market. The other limitation is that the researcher is not exposed to such kind of investigation before so there is lack of experience in putting things in their coherent and sequential order.

### 1.1.8. Definition of terms

**Export Performance**

Export performance is the relative success or failure of the efforts of a firm or nation to sell domestically-produced goods and services in other nations. Export performance can be described in objective terms such as sales, profits, or marketing measures or by subjective measures such as market knowledge, management competence, technology, quality, infrastructure, and policy and regulation on export performance.

**Textile**

Textiles, generic term originally applied to woven fabrics, but now also applied to natural and synthetic filaments, yarns, and threads as well as to the woven, knitted, felted, tufted, braided,

bonded, knotted, and embroidered fabrics made from them; and to nonwoven fabrics produced by mechanically or chemically bonding fibres.

**Garment**

Sewing and tailoring, joining together, by means of needle and thread, pieces of fabric or other materials to make wearing apparel and accessories, household furnishings, and other items. The material used is cut to the desired shape and size, often by means of an overlaid pattern, and is then stitched or sewn together by hand or by machine. Today, company relies heavily on computers to aid in patternmaking and layouts. Digitized data is fed to computer-driven cutting machines for either single- or multi-layer fabric cutting. Garment assembly may employ advanced robotics for relatively simple operations, but more complex work is still done by the individual worker. Industrial sewing employs hundreds of specialized seaming techniques as well as a wide variety of specialized stitching techniques.

**Export**

Export is commerce, exchange of goods that must be transported from one place to another. In ancient times, transporting commodities over any significant distance was an expensive and risky enterprise. This restricted commerce mainly to local markets. As transportation networks improved, commerce expanded considerably. Today commerce takes place between neighbouring households, between neighbouring cities, and between neighbouring continents.

**Company**

Company, in a general sense, is an entity known for the production of goods and services in an economy. The term company also refers to a group of enterprises (private businesses or government-operated corporations) that produce a specific type of good or service-for example, the beverage company, the textile and garment companies, the gold company, or the music company. Some companies produce physical goods, such as lumber, steel, or textiles. Other companies-such as the airline, railroad, and trucking companies-provide services by transporting people or products from one place to another. Still other companies, such as the banking and restaurant companies, provide services such as lending money and serving food, respectively.

### 1.1.9. Organization of the study

This study is organized in five chapters. The first chapter deals with the introductory part of the study. Following this, the second chapter focuses on the literature review part in which theoretical and empirical studies have been reviewed. The third chapter describes the methodology in which the study area is explained and the research approach, design, population and sample, data type and source, data collection and analyses, and finally ethical considerations are discussed. Chapter four focuses on results and discussion of the export performance factors of textile and garment companies. The last Chapter provides the conclusion and recommendation of the study. The references and appendices are presented at the end of the paper.

# CHAPTER TWO

## Review of Related Literature

This chapter contains concepts and theories regarding factors affecting the export performance of the textile and garment Companies in Ethiopia by which the researcher reviews earlier studies on the subject matter of the study. This chapter starts by introducing the concept of export performance, and then clearly describes factors affecting the export performance of textile and garment Companies in Ethiopia. In addition, based on previous related literatures, the conceptual framework of the study together with the hypothesis was formulated.

### 2.1 Literature Review

In order to define problem properly, crystallize its objectives and set forth an appropriate methodology to meet its objectives, it is imperative to scan through the existing literature on the subject. This is not only helpful in setting the direction of a research work but also widens the mental horizon and vision about its implication. The literature on export performance of textile and garment companies is relatively scarce and in the recent years no comprehensive study has been undertaken on export performance factors as a tool for international marketing and its effectiveness. A few studies which are available in reference to selected products and countries over a period of time have been discussed.

#### 2.1.1 Theoretical Review

Export performance is regarded as one of the key indicators of the success of a firm's operations. Research into export performance has grown considerably during the past few decades (Sousa, Martínez-López, and Coelho, 2008). While numerous studies have been conducted to explain export performance and its antecedents, there is no generally accepted conceptualization. Export performance represents the outcome of a firm's activities in export markets (Papadopoulos and Martín, 2010). Export performance can also be defined as the outcomes from the firm's international activities. From this perspective, export performance is the extent to which the firm achieves its objectives when exporting a product to a foreign market (Navarro et al., 2010).

Economic measures are no doubt relevant. Besides, some market and also strategic measures might be interesting in order to account for some broader, not just short-term oriented, aspects of the export activity. However, since strategic objectives may vary significantly among different firms, it would be difficult to devise common objectives that would enable comparison among companies. So, one could instead collect data on some overall (aggregated) measure that would, somehow, reflect strategic (as well as other aspects) of the export performance phenomenon (Jorge Carneiro et al., 2007).

The key role of exporting in national economies has resulted in export performance attracting considerable interest in many studies. Most research focuses on the relationships between performance and organizational or environmental factors; less has been done into the specific factors that could hinder exporting (Hossein, 2012). While most research focusing on export performance has been undertaken in the United States and Europe, limited work has been conducted in developing countries. Enhancing export performance is crucial for firms based in developing countries that view the global marketplace as a means to ensure growth, survival or competitiveness (Matanda and Freeman, 2009).

The Ethiopian government, through its agricultural led industrial economic development policy has implemented new policies and strategies for the well being of the country in general and for the textile and garment company in particular. One strategy is prioritizing the textile company, where the choice is made due to rich natural resources, as raw cotton, power supply, as well as a high population of youths. The country also has a tradition of weaving textile production. Additionally Ethiopia has a rich textile spinning and weaving history (TIDI presentation, 2011).

In 2010 the government initiated the Textile Company Development Institution (TIDI) with the aim to support and strengthen the textile and garment company. Job creation is essential for the people in Ethiopia with its fast growing population needing job opportunities. The textile company in Ethiopia is expanding rapidly and employs over 40,000 people in the country (Clara, 2014).

Compared to Sub-Sahara least developed countries (LDCs), Ethiopia has been placed at a lower rank on the utilization of developed countries' as well as regional market opportunities

for textile and garment company AGOA, EBA and Common Market for East and Southern Africa (COMESA). This is because of Non-Tariff Barriers (NTB) and Technical Barriers to Trade (TBT), low preparation to exploit these privilege and some other challenges by the rules of origin (Yared, 2010).

Export performance has long been a construct of central interest in the international marketing literature. In this context, 'at the macro policy level, governments around the world are concerned about ways to improve their firms' performances in export markets, because export is considered as an engine of economic growth. At the micro level, there has been wide recognition. Success in the domestic market does not guarantee success in foreign markets and strategies are needed to succeed in export markets' (Zou et al., 1998, p. 37).

Export performance is important for the firm to explore various ways to enter the foreign markets. As firms become more involved in exporting, they become more committed to pursue other international opportunities (Jee Su Lim *et al*., 2004). Exporting is also defined as shipping of goods produced in the company's home country to other countries for marketing (Wheelen and Hunger, 2000). The market information is vital to firm success in both domestic and international contexts (Hart and Tzokas, 1999).

Export performance is defined as the outcome of a firm's activities in export markets (Soham, 1996). There has been understanding that performance is a multidimensional construct comprising effectiveness, efficiency, and adaptability respond to environmental changes (Katsikeas, 2000). Export performance is also defined as a firm's export performance as its degree of economic achievement in its export market (Jee Su Lim *et al*., 2004). Export performance is determined by internal and external factors: the former is the product, managerial and organizational characteristics such as planning abilities, technology, size etc. While the later is domestic and target market characteristics.

Export performance has been variously defined as export effectiveness, export efficiency, and continuity of export activities (Aaby and Slater 1989; Madsen 1987; Shoham 1998). Previous research found that the construct of export performance has more than one dimension. Shoham (1998), building on an earlier conceptualization by Madsen (1987), presents the argument that export performance has a sales, profit, and change dimension. Operational

definitions for each of these include export sales volume, export profitability, and changes in export sales or profitability.

There is no agreement on how to measure the export performance, though several approaches have been used (Cavusgil & Zou 1994; Schlegelmilch & Ross 1987; Walter & Samiee 1990). The most frequently used measures in the previous studies reviewed were order of frequency, export intensity (export proportion of sales), sales volume, export market share, and export profit contribution. Six additional measures were also found, but each was used in only one study like return on investment, export satisfaction, perceived success, perceived export growth, perceived profitability, and perceived market share. These performance measures have been grouped in a variety of ways. The aforementioned Shoham (1998) study divided export performance measures into three categories: sales, profits, and change. Cavusgil and Zou (1994) used a composite measure consisting of four parts: the extent to which strategic goals were achieved; the perceived success of the export venture; the annual percentage change in sales growth over five years; and the overall profitability over five year, whereas Matthyessens and Pauwels (1996) organized export performance variables into financial, non-financial, and composite scales.

Most researchers accept the multidimensionality of export performance, but there is disagreement about which indicators should be used to measure the variable. Most researchers consider two different dimensions; economic (objective) and strategic (subjective). It is believed that objective and subjective measures are complementary in nature and it is advisable to make use of both in an interrelated way in order to provide a more comprehensive picture of export performance (Stoian, Rialp and Rialp, 2011). This multidimensionality nature of export performance makes it hard to compare and contrast the findings from different studies (Sousa, 2004). In order to provide for a reliable assessment, the development, and subsequently, the validation of measures for different export performance dimensions as well as the use of multiple measures are warranted for capturing the entire story of a firm's export performance (Solberg and Olsson, 2010).

Before deciding whether to operate internationally, a company must thoroughly understand the international marketing environment. That environment has changed a great deal in the past two decades, creating both new opportunities and new problems. The world economy

has globalized. World trade and investment have grown rapidly, with many attractive markets opening up in Western and Eastern Europe, China and the Pacific Rim, Russia, and elsewhere (Kotler and Armstrong, 2002).

Macro environmental factors affecting the clothing company are those which lie outside small companies and their competitors. Business owners have less control of these external factors, and their impact in changing them is minimal. Instead, small companies must adapt to these macro environmental factors, which include consumer characteristics, technology, government influence and the economy. The way small companies adapt to macro environmental factors determines both their ability to differentiate themselves from key competitors and overall success (Suttle, 2018).

Export performance is a complex and multifaceted construct (Cavusgil & Zou, 1994; Matthyssens & Pauwels, 1996; Shoham, 1998, 1999). The success of a firm, division, or export venture cannot usually be communicated with a single metric; instead, several perspectives may have to be considered. Moreover, since performance objectives may be incompatible with one another, and improving on one dimension may come at the expense of another, success may be a matter of degree instead of just a yes or no question (Carneiro J. et al., 2011).

Traditional economic measures may indicate whether a company has performed well in the recent past, but are no guarantee for continuing success (Barney, 1996). As for market measures, an increase in market share might express such distinct facts as greater acceptance of a product, buying market share by cutting off prices, or investing heavily in promotions. The metric itself however does not tell whether a company's revenues and profits increased more or less than its competitors' or whether performance, defined in broader terms, actually improved. Furthermore, when a firm is starting or entering a new market, it may accept short-term financial losses as it gains experiential knowledge or develops brand awareness, which may later be important drivers of performance (Carneiro J. et al., 2011).

Both the size and the rapid growth of global exporting have focused the attention of marketing researchers on the factors associated with firms' export performance. However, knowledge of this is increasingly important domain of marketing activity that remains

limited. The inter play among available resources and capabilities, competitive strategy decisions, and competitive intensity determines export venture positional advantages and performance outcomes in the theoretical model (Morgan et. al., 2004). The export development factors and their economic impact as well as efficiency of export performance tools up to now have not been examined enough from the view point of marketing strategy (Purlys, 2007).

Researchers (e.g., Conant, Mokwa, & Varadarajan, 1990; Matthyssens & Pauwels, 1996) have advocated the use of multiple dimensions to conceptualise performance. Venkatraman and Ramanujam (1986) analysed the advantages and disadvantages of financial vs. operational indicators as well as primary vs. secondary data sources. Hirschey and Wichern (1984) suggested that accounting measures do not reflect the same underlying profitability phenomenon as captured by market measures. Fiegenbaum, Hart and Schendel (1996) proposed the use of several reference points: internal (strategic inputs and outputs) vs. external (competitors, customers, other stakeholders) as well as past vs. future.

#### 2.1.1.1 Export Market Knowledge

In recent years a growing body of literature has examined the contribution of marketing capabilities to export performance (Murray et al., 2011; Morgan et al., 2012). However, despite increased research attention among academics, relatively little has been concluded within an emerging economy. When studies have been conducted in such markets, hardly any attention has focussed on the context of firms originating from these markets. Firms from such markets tend to operate in less affluent environments and often have more limited resources compared with those from advanced economies (Singh, 2009). They are also often late to enter the international arena and frequently have less marketing competence, skills and the knowledge needed to exploit export markets (Zhou et al., 2010).

Despite an increasing number of studies that have examined the marketing capabilities – performance relationship in recent times, relatively little has been concluded within an emerging economy context. It was not until 2003 did we see research in print that involved an emerging economy (Fang and Zou, 2009; Morgan et al., 2003; Zou et al., 2003). The work of Morgan et al. (2003) was particularly insightful as it provided a cross-national comparison of

exporters in UK and China. It successfully demonstrated the link between marketing implementation capabilities and export performance across the two data sets. Another paper by Zou et al. (2003) was equally instrumental in contributing to the field. Instead of claiming a direct link between marketing capabilities and performance, their study operationalized marketing capabilities through four unique dimensions resembling the marketing mix and demonstrated their effect on low-cost advantage and branding advantage for leveraging performance.

Market knowledge can be derived from explicit market information or from experiential knowledge. Export channel partnerships are often motivated by the need to form relationships that deliver "experiential knowledge" about a market (Johanson & Vahlne, 1977) and to convert such tacit (implicit) knowledge into explicit knowledge in ways that provide competitive advantage (Nonaka & Takeuchi, 1995; Polanyi, 1966). Morgan et al., (2003) described it as the knowledge gained from experience of overseas market operations. Styles and Ambler (2000) also refer to it as social learning, describing it as knowledge gained through personal interaction in the local market.

In international business, experiential market knowledge (rather than explicit knowledge) has been found to be the most useful for international growth. Experiential knowledge is acquired through direct exposure to foreign markets (Johanson & Vahlne, 1977), and through experiential learning as a result of accumulated experiences of specific relationships (Barkema & Vermeulen, 1998; Delios & Beamish, 1999). Hadley and Wilson (2003) found that a firm's interaction with other internationalized firms resulted in acquisition of experiential knowledge.

Lindstrand (2003) identifies a specific form of experiential knowledge network which is defined as experiential knowledge a firm accumulates in its network of embedded business relationships. In these relationships, firms collect knowledge concerning counterparts, competitors, cooperation with other firms, product development, strategies, marketing, organizing practices and international ventures (Lindstrand, 2003). The above studies highlight the role that business relationships play in acquiring experiential market knowledge.

Understanding the characteristics of experiential knowledge enables us to understand why it is a possible source of competence in exporting and better export performance. The characteristics of experiential knowledge are described more clearly by the Knowledge Based View (KBV), (Davenport & Prusak, 1998) where experiential knowledge is also referred to as being procedural and know-how, or knowledge from accumulated skills (Polanyi, 1966; Reed & DeFillippi, 1990).

#### 2.1.1.2 Management Competence

Competencies have long been considered as a significant factor in a firm's export performance because they enable the firm to develop, combine, and transform resources (physical, financial and managerial) into value offerings (Doole, Grimes & Demack, 2006). Thus, competencies are not only an indicator of overall export capability; rather, they are a precursor of a firm's capacity to initiate and maintain regular exporting.

Moreover, with the increasing competition, fast changing consumer needs and wants, and shorter product life cycles, firms need enhanced abilities to identify, create and deliver superior customer value in export markets than the competition (Rauch, Wiklund, Lumpkin, & Frese, 2009). For SMEs that are often synonymous with resource poverty (physical, financial or managerial), poor export performance, in part, is aggravated by their failure to identify, prioritize and develop competencies requisite for their sustained export capability.

The construct of export performance is important to both firms and nations alike. At firm level, a better understanding of export performance is important because exporting improves utilization of productive capacity, improves financial performance and competitive edge as well as provides a foundation for future international expansion (Lu & Beamish, 2001).

At the national level, a better understanding of export performance is important because exporting enhances accumulation of foreign exchange reserves, improves employment levels and productivity in addition to driving economic growth (Ural, 2009).Management's international experience has been associated with a positive effect on export sales, export profits, export growth, and the composite measures of export performance. This is due to the fact that manager's international experience helps a firm identify and leverage on the international opportunities while avoiding international threats (Zou & Stan, 1998).

#### 2.1.1.3 Technology

Technological micro environmental factors affecting the clothing company include availability of resources, demand and production. For example, the scarcity of certain materials, such as leather, may force retail and wholesale clothing companies to sell more faux (artificial) or substitute leather products. Retailers may increase the prices of cotton clothing if they encounter shortages of this raw material, as they must pay their manufacturers more. The introduction of new clothing styles by a competitor can shift demand away from older fashions. Hence, a small clothing manufacturer may need to discontinue certain clothing lines and produce new ones that meet the needs of consumers. Moreover, clothing companies may add more advanced equipment in their plants like robots, which may force companies to fire some workers (Suttle, 2018).

Technology also has impact on the export performance. There is positive relationship between technology and firms ability to achieve greater flexibility in garment designs and to manufacture international quality products. The intensity of adoption of technology was the most significant variable that influenced the export performance of firms (Lal, 1999).

#### 2.1.1.4 Product Quality

Many factors influence product quality: these normally cover the raw material, production machines and equipment, production processes, and the workers. For these reasons, it becomes difficult, if not impossible, to make two products identical in quality. In practice, however, the process needs to be designed so that it results in products with small or acceptable variations in quality characteristics, resulting in a more uniform and stable quality level meeting the stated and implied needs of the customer. Product quality should normally meet the requirements of the market, as well as contractual and organizational demands, and these requirements should be expressed in functional parameters and documented. Quality can be an important way to escape cost competition. Higher quality typically raises the willingness-to-pay of consumers and may result in higher *markups*[2]. Suppose that a firm exports the same quality good to all its destinations, but that consumers in different countries have a different 'taste' for the product.

[2]Markup here is defined as the difference between the unit price and the variable (proxy for marginal) cost per unit where variable costs consists of the sum of materials (intermediates) used in production and labor costs.

The product may be well-liked in some countries but not so in others. When quality rises, the price of a product will also rise. If the consumer recognizes the higher quality of the product, he/she may be willing to pay a higher price for it and continue to buy it. This situation has its own impact on the export performance of goods and services. Product quality is a strategic variable and firms' incentives to enter and exit bilateral trade relationships are part of stable *Nash equilibria*[3]. The heterogeneous-firms trade theory was another prime candidate in this search as it draws a distinction between exporting and non-exporting firms by theorizing that only the most productive ones export (Eaton and Kortum, 2002; Melitz, 2003).

However, though productivity draws may explain firms export behavior in the long- run they seem insufficient to explain the firm's export dynamics in the transition periods. This view is shared by Bernard et al. (2009) who look at the sources of US export growth and conclude that findings are at odd with the conventional view that export growth is the result of domestic firms becoming more productive. That is true only in the long-run. In the short-run, almost all growth comes from higher demand for products that existing firms already made.

If product quality is indeed important for export performance then we should find that high-quality exporting firms perform better than non-upgrading exporting counterparts. Probably the single best indicator of export performance is the length of time that an exporter is able to sell his/her goods to foreign markets. If higher product quality leads to better export performance, then high-quality firms will remain exporters for longer time periods. This is indirectly another testable hypothesis that derives from the theoretical foundation (Balaoing, 2016).

#### 2.1.1.5 Infrastructure

The poor performance of Africa's exports is linked to the political economy of policy reform, institutional development and supply constraints related to infrastructure. Reduction in tariff and non tariff barriers (NTBs) have implied that the relative importance of trade costs (especially infrastructure) as a determinant of trade has increased. In most African countries,

[3]In game theory, an epsilon-equilibrium, or near-Nash equilibrium, is a strategy profile that approximately satisfies the condition of Nash equilibrium. In a Nash equilibrium, no player has an incentive to change his behavior. In an approximate Nash equilibrium, this requirement is weakened to allow the possibility that a player may have a small incentive to do something different.

poor service delivery has handicapped firms through unreliable transport, power and water, and inadequate telecommunications networks (Collier and Gunning, 1999).

Notably, the high transit costs faced by African exports have become a far more restrictive barrier to trade than tariffs in major markets. Tariffs in Canada, the European Union, Japan and the United States vary from averages of 3 to 7 per cent on goods originating in Africa. In contrast, transit costs paid by landlocked African countries are on average almost three times higher than the average tariffs. Transit costs vary from a low of under 5 percent for Swaziland to a high of 50 percent for Chad and Malawi. Border delays form a significant part of the transit costs (Mbekeani, 2007).

Garland (2017) describes that a country's infrastructure impacts businesses in many ways. Infrastructure is an organizational system of resources that is needed for a society or business to run. According to her infrastructure can be classified as hard or soft. Hard infrastructure consists of physical systems that are needed to operate a country, such as transportation, telecommunications, energy, water supply and sanitation. Soft infrastructure refers to institutions that maintain the health, economic, and social standards of a country, such as education, financial, government, emergency, and healthcare systems. Business is primarily concerned with hard infrastructure because it has a direct impact; however, soft infrastructure has a secondary impact and is important as well.

Almost all export items from Ethiopia go through the port of Djibouti. The main mode of transportation is by trucks loaded with 20ft or 40ft containers. Djibouti port can only ship containers- either 20 feet or 40 feet. Businesses depend on a network of infrastructure for all aspects of daily operations. Reliable customer contact ensures gaining new clients and retaining current ones. For developing countries, the lack of roads and highways can be a difficult and costly obstacle to overcome. Businesses rely on planes, cargo and boats to transport goods throughout the country. Some even maintain separate facilities in order to keep transportation prices down. Developed countries, however, have existing road systems and highways. For these countries, it becomes an issue of quality of roads. Many products are delivered to the customers in digital format (Garland, 2017).

#### 2.1.1.6 Policy and Regulation

Nations differ greatly in their political-legal environments. At least four political-legal factors should be considered in deciding whether to do business in a given country: attitude toward international buying, government bureaucracy, political stability, and monetary policy and regulations. Some nations are quite receptive to foreign firms and others are quite hostile. The extent to which the host government runs an efficient system for helping foreign companies: efficient custom handling, good market information, and other factors that aid in doing business (Kotler and Armstrong, 2002).

The general policy implication on export performance is that market access and supply capacity have to be considered equally important along with the development process of the export sector. Simultaneous efforts to improve both supply capacity and foreign market access enhance the performance and the structural deepening of the export sector. Foreign demand is influenced by various elements. Firstly, it is strongly linked to geography; countries at the centre of a fast growing region are more likely to be benefited, ceteris paribus, than countries situated outside that region. Second, it is likely to be related to competition and trade policy which could have, in principle, a similar impact on trade than geography.

The textile sector or any other sector for that matter can only flourish or grow if the policies of the government support the operations of the company on both the micro-environmental level and the macro-environmental level. For instance if the government policies regarding the company are detrimental to the possible cause such as putting a quota to the amount of cloth that can be exported to other countries or on a more fundamental level of the supply chain, restricting the type of cotton that can be used to produce cloth in the mills or if the costs of financing the expansion is higher such as the conditions prevalent in the economy that would also result in a negative impact on the growth of the textile sector.

### 2.1.2 Empirical Review

Previous research carried by Shoham (1998) identified 29 measures of export performance found in the literature. Sousa (2004), who reviewed 43 empirical studies concerning export performance published between 1998 and 2004, identified 50 different operational aspects of

export performance. Katsikeas, Leonidou, and Morgan (2000), who reviewed more than 100 empirical investigations dealing with export performance, contend that export performance is one of most investigated issues in international marketing and quite possibly the most controversial.

A search through literature shows that export performance determinants suffered the same fate as performance measures. This is because there are several factors that were identified and investigated in literature as determinants (Dominques and Sequeira 1993). A number of empirical studies had shown the degree of marketing programme adaptation to be influenced by internal and external factors. The internal factors affecting the degree of marketing program include the firm characteristic and competence (Zou and Stan 1998); managerial characteristics (De Luz 1993). The external factors influencing product adaptation depend on the company; foreign market characteristics; and domestic market characteristics (Zou and Stan 1998).

According to the literature review done by Zon and Stan (1998) and Aaby and Slater (1989) revealed that the use of subjective measures was more common than the objective measures. Of the objective measures the most widely used is the export intensity i.e., export-to-total sales ratio (Chetty and Hamilton 1993). Other objective measures such as export sales growth may overstate performance as a result of price escalation and market growth (Kirpalani and Balcome 1987). Woodcock, Beamish and Makiro (1994) justified the use of subjective measures in situations where managers may be unwilling or unable to supply objective financial data or because of the difficulty in reconciling cross national or cross industrial differences in accounting practices.

Empirical studies of export performance measures have explained into two categories: these are subjective measures (Zou, Taylor and Osland, 1998) and objective measures (Majocchi et al, 2005). Objective measures are economic value for example export sales volume, export sales growth and export profitability, market diversification and export intensity (Zou, Taylor and Osland, 1998; Mojacchi et al, 2005). They gave a comparable measurement of firm's export performance. These objective measures are more accurate measurement than subjective measures since this information can be obtained with minimal influence of firm's Chief Executive officers (CEOs). On the other hand, subjective measures refer based on

CEO's or owner's perception about export activities, normally these measures have been used in comparative studies (Woodcock, Beamish and Makino, 1994).

Subjective measures focus on the perception of respondents on how well their company is performing towards achieving their export objectives (Flor and Oltra, 2005). The two principal indicators of export performance are management's perception and management's satisfaction with export performance often compared to that of its major competitors or relative to a company's expectations (Diamantopoulos & Kakkos, 2007). From this sense, measurement of export success is based on management's interpretation and judgment of performance and not the objective performances per se. In contrast to objective measures, subjective measures are anchored on a scale rather than seek plain absolute figures (Shoham, 1998).

#### 2.1.2.1 Export Market Knowledge and Export Performance

In International Business studies, several literature reviews indicated the most frequently cited variables used to explain export performance (Carneiro J. et al., 2011). Aaby and Slater (1989) grouped them into four sets: firm characteristics (size, managerial commitment, managerial perceptions), firm competences (technology, market knowledge, market planning, export policy, control systems, quality control, communication skills), export strategy (market selection, use of intermediates, product mix, product development, promotion, pricing), and external environment. Zou and Stan (1998) considered them either internal (export strategy, managers' perceptions and attitudes, managers' characteristics, and firm's characteristics and competences), or external (company characteristics, external and domestic market characteristics) determinants of export performance.

Moini (1995) suggested three broad classes: organizational characteristics (size, international experience, competitive advantages, etc.); managers' expectations (both positive and negative); and managers' characteristics (age, formal education, experience, knowledge of foreign languages); while adding a fourth factor, systematic search for new external markets. Katsikeas, Leonidou and Morgan (2000) review led to two sets of factors- target market selection and export strategy- with direct effect on export performance and three sets of factors-managers' characteristics, organizational characteristics and environmental variables- indirectly influencing export performance. Research on export performance has discovered

several influencing variables, but the type and magnitude of the impacts have not been determined (Chetty& Hamilton, 1993; Theodosiou & Leonidou, 2003). The picture gets more complex when considering that the impact of a given factor may depend on the specific measure of performance used, but none of the existing measures has reached universal acceptance. Moreover, there are probably many simultaneous relationships and feedback effects, not only between influencing factors and export performance but also among the influencing factors themselves (Jorge Carneiro et al., 2011).

It is found that the firm experience on export has positive relationship on export performance (Madsen 1989). It is understood that experiential knowledge about overseas markets and operations is driving force in the internalization of the firm. The relationship between exporting experience and export performance lies in the issue of uncertainty and the way the firms cope with it (Erramilli, 1991).

The less experienced firms are likely to have considerable uncertainty, which affects their returns about oversea markets and operations (Agarwal and Ramaswami, 1992; Davidson, 1982). Nevertheless, the experience firms are likely to have better understanding of foreign markets, develop personal contacts and customers' relationship abroad and design effective export marketing programs (Madsen 1989).

#### 2.1.2.2 Management Competence and Export Performance

Several studies have mentioned that management team's influence on firm's export performance (Li Ling-yeeand Gabriel O. Ogunmokun, 2001). The firm's decision makers or managers play a vital role to the development of export strategy. Management capability provide superior support to international customers and it helps to develop a close relationship with them (Stavroula Spyropoulou, Dionysis Skarmeas, Constantine S. Katsikeas, 2010). Managers, who bring international opportunities that is profitable for firm and a means for expanding the business internationally. Managers' deal with the cost, profit, and risk of exporting of the firm's that is important to export performance. Furthermore, many empirical studies indicated that managerial attitudes and experiences towards exporting their firms' have a positive impact between managerial attitude, international experience and export performance (Kedia and Chhokar, 1985).

Holzmüller and Stöttinger (1996) argued that the vast majority of empirical research on export performance ignored the role of intervening variables. They suggested that partial models were used when more complex models were needed. They proposed that export performance would receive direct and indirect influences from organizational culture, subjective managers' characteristics, objective managers' characteristics, objective firm's characteristics and the external environment.

In the context of international market ventures, where the business environment is complex and hostile, the eminent of managerial function is even more evident. This is supported by the empirical findings of Carpenter, Sanders and Gregersen (2001) where multinational enterprises performed better when the top managers possessed international human capital qualities.

Aaby and Slater (1989) and Chetty & Hamilton (1993) indicated that management's attitudes and perceptions are very important determinants of financial measures of export performance such as export sales, profits and growth. It also influences non-financial measures of export performance like perceived export success, satisfaction and goal achievement.

#### 2.1.2.3 Technology and Export Performance

Nandal (2008), in his study has shown that there are some specific and measurable characteristics common to all successful exporters. In the area of export management he has identified several firm and managerial characteristics associated with the export activity of manufacturing firms. Export performance or success has been evaluated by a variety of measures, such as export intensity (export sales as a percentage of total sales) or export growth. Although reliance on a single variable as a gauge of export success was shown not to be valid, prior research that measured export performance using a single variable of success reflected an improvement in performance criteria over the categorical approach.

From last two decades the amount of research published on export performance, from there only few of the research studies have been focused on technological issues (Lefebvre et al., 1998). However, according to the Buckley and Casson, (1991) technology is an important factor in a manufacturing firm's to move product freely in international marketplace. The impact of technology on export performance is a well-researched issue (Charles Dhanaraj and

Paul W. Beamish, 2003). For any kind of firm technology is one of the key element, and base on its technology a firm can be able to take advantages from international market (Charles Dhanaraj and Paul W. Beamish, 2003). Moreover, technology is an important variable that explain internationalization of a firm, and it is seen in many international business research.

Contrary to many of the findings one research study found that capital and technology based factors did not have any effect on the export performance of Indian firms in the international market, supporting the view that the Indian Textile and clothing company focused more on cheap products than premium product category (Abraham & Sasikumar, 2011).

#### 2.1.2.4 Product Quality and Export Performance

Product and service improvements as well as advancing export performance have become the primary goal of marketing strategies. However, there are many difficulties in defining the variables of export performance and usage of these variables by firms. Although there has been much research on export performance, this construct is among the least understood in international marketing research (Katsikeas et al., 2000). A range of variables are indicated for measuring export performance including international commitment, market focus, international experience and environmental characteristics, as existed in a wide range of literature (Lages L.F., Mongomery D. B., 2004; Kahiya E. T., Dean D. L., 2014).

The quality of final product is determined by various factors especially two factors that contribute maximum are raw material and machine (technology). Especially in the case of textile and garment exports, the firms' competitiveness depends on the ability to pay the cost of technology and access to technology (Falvey's, 1979). More generally, a small firm can still export provided that the level of product quality is high enough. This is the so-called *Alchian-Allen*[4] effect that makes trade costs relatively less important for high-quality (higher priced) products than for lower quality ones. Exporting firms sell higher quality products than non-exporters of the same size, a result reminiscent of policy-induced quality upgrading effects (Falvey's, 1979).

[4]Achian-Allen effect states that when the prices of two substitute goods, such as high and low grades of the same product, are both increased by a fixed per-unit amount such as a transportation cost or a lump-sum tax, consumption will shift toward the higher-grade product (https://en.wikipedia.org/wiki/Alchian%E2%80%93Allen_effect).

A study conducted in Lao pointed innovations (product and production process innovations) are important factors in determining export performance and hence, firm profitability (Falvey's, 1979).

#### 2.1.2.5 Infrastructure and Export Performance

Both the quantity and quality of physical infrastructures are expected to play important roles in export performance. Important elements of supply capacity at the early stage of development of the export sector are infrastructure, foreign direct investment (FDI) and macroeconomic stability. These elements are significantly determining the performance of export at all levels (UNCTAD, 2004).

Infrastructure development is a key element of a countries' ability to produce and move goods. O'Rourke and Williamson (1999) argue "... all of the commodity market integration in the Atlantic economy after the 1860s was due to the fall in transport costs between markets...". Weak infrastructure is a major impediment to trade, competitiveness and sustainable development in most African countries, particularly land-locked and small island countries. Recent literature has emphasized the dependence of trade costs on infrastructure. The literature has examined the importance of transport costs and infrastructure in explaining trade and access to markets. Much of the historical literature has emphasized reductions in trade costs specifically those arising from endogenous changes in commercial policy and exogenous changes in transport technology (O'Rourke and Williamson, 1999).

Improvements in transportation services and infrastructure can lead to high positive impact in export performance. Lim˜ao and Venables (2001) shows that infrastructure is quantitatively important in determining transport costs. They estimate that poor infrastructure accounts for 40 percent of predicted transport costs for coastal countries and up to 60 percent for landlocked countries.

Bougheas, Demetriades and Mamuneas (1999) have analyzed that infrastructure can promote specialization and long-run growth and it influences on trade through its effect on resource costs. It requires resources to be taken away from the production of the final good and enhance economic growth through increased specialization.

#### 2.1.2.6 Policy and Regulation and Export Performance

Economic barriers are the institutional barriers in general and political and legal constraints in particular. Politics is the combinations of effort by the government and other institutions, fields, and special interest groups to give future directions to the country considering the value and interest that people hold in addition to carrying on governmental and state affairs (Daunton, 2011). Generally, the government of a particular country develops the rules and procedures for the day to day life through political and legal system. Business is considered as the integral part of this daily life. Therefore, business could not be conducted avoiding the political and legal system (Sethi et al., 2012). There are many ways that the political and legal environment might influence the business environment. Political and legal systems of each and every country influence the business environment directly by changing existing (or by introducing new) policies, regulations and law.

Government determines the fiscal and monetary policies that directly influence the way of doing business. The situation of political stability has great impact on the ease of doing business. Political forces might assist the internationalization of firms, such as, removing the barricades to international trade or even by setting up export processing zone where the firms can produce and trade under favourable condition. Similarly some of the political and legal factors might also become barriers to entering foreign markets, such as, political instability, legal procedural barriers, corruptions and inadequate legal supports (Bhatti and Awais, 2012). Therefore, the decision to go for international market expansion should only be taken after understanding the unseen nature of political and legal environment of the target country.

Each and every country has some legal systems both for the people and the organizations. To carry on life or business, people need to go through these legal procedures, such as registering property, filing tax, applying for permission to start a business and carrying on the business legally. Based on the number, days and requirements of these procedures, ease of doing business is examined. Ease of doing business varies from country to country due to these legal processes. In the case of international business, firms may need to face additional legal restrictions than the domestic firms, such as, currency restrictions, quotas or tariffs. Based on the country of origin of the foreign partners, additional formalities may also need to

maintain, for example, product standards, compliance procedures, health and safety requirements, and patent and trademark issues (OECD, 2006).

In general, the literature review indicates several factors influencing export performance related to the external environment, organizational and managerial characteristics, the specific export strategy adopted and the planning of each export venture (business enterprise).

### 2.1.3 Conceptual Framework

Conceptual framework is formulated to explain, predict, and understand the phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions. The conceptual framework introduces and describes the theory that explains why the research problem under study exists. Therefore, a conceptual model of textile and garment companies has been developed to show the impact of different factors on the export performances of the companies. The following model tries to show the role of different factors affecting the export performance of textile and garment companies in Ethiopia.

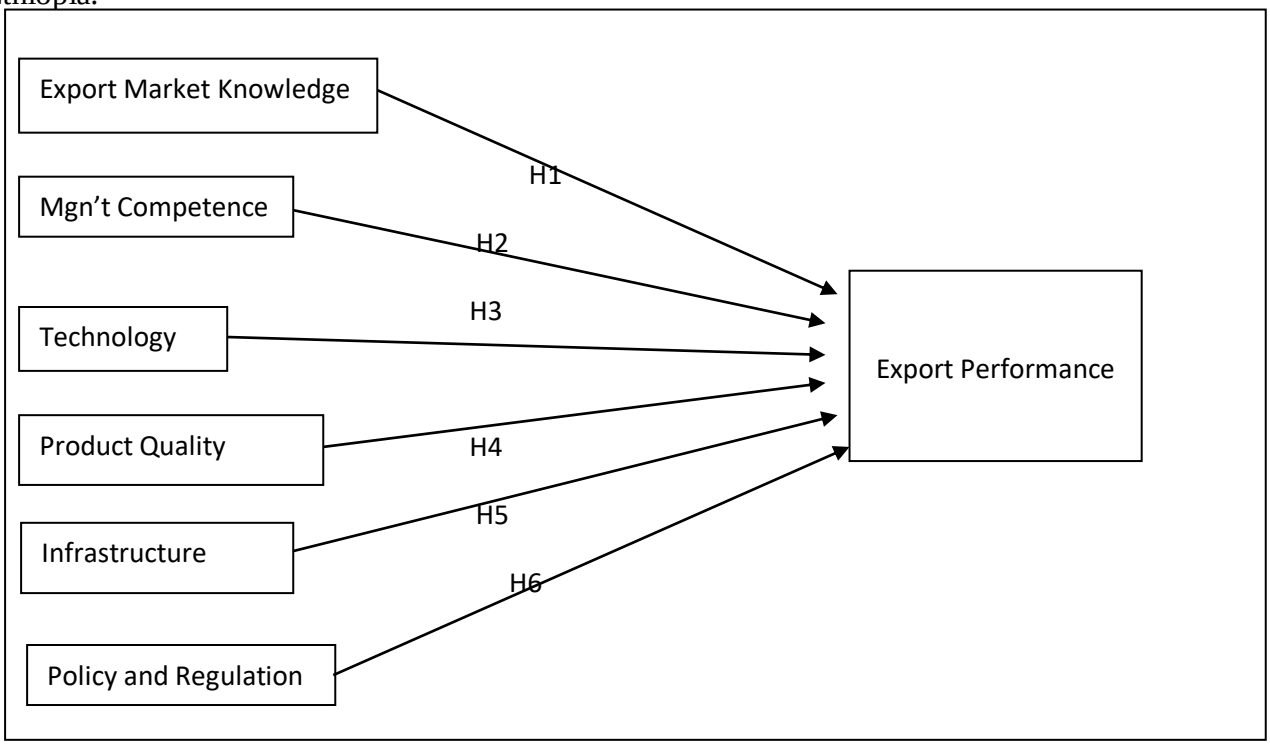


Fig. 2 Conceptual framework-Analytical Model of Research (Stoian & et al, 2011)

Exporters may use exchange of knowledge between partners to respond to local market environments such as customers' needs and competitors' positions. Thus, exporters are able to gain competitive positions and achieve superior export performance (Zhang, Cavusgil, & Roath, 2003).

The less experienced firms are likely to have considerable uncertainty, which affects their returns about oversea markets and operations (Agarwal and Ramaswami, 1992; Davidson, 1982). Nevertheless, the experience firms are likely to have better understanding of foreign markets, develop personal contacts and customers' relationship abroad and design effective export marketing programs (Madsen 1989).Based on the above discussion, the following hypothesis is offered:

**$H_1$**: Export Market Knowledge has a positive and significant effect on the export performance of textile and garment companies in Ethiopia.

Several studies have mentioned that management team's influence on firm's export performance (Li Ling-yee and Gabriel O. Ogunmokun, 2001). Managers' deal with the cost, profit, and risk of exporting of the firm's that is important to export performance. Furthermore, many empirical studies indicated that managerial attitudes and experiences towards exporting their firms' products have a positive impact between managerial attitude, international experience and export performance (Kedia and Chhokar, 1985). In the light of the above discussions, the following hypothesis is proposed:

**$H_2$**: Management competence has a positive and significant effect on the export performance of textile and garment companies in Ethiopia.

According to the Buckley and Casson, (1991) technology is an important factor in a manufacturing firm's to move product freely in international marketplace. The impact of technology on export performance is a well-researched issue (Charles Dhanaraj and Paul W. Beamish, 2003).Therefore, depending on the above discussions; the following hypothesis is put forward:

**$H_3$**: Technology has a positive and significant effect on the export performance of textile and garment companies in Ethiopia.

If product quality is indeed important for export performance then we should find that high-quality exporting firms perform better than non-upgrading exporting counterparts. Probably the single best indicator of export performance is the length of time that an exporter is able to sell his/her goods to foreign markets. If higher product quality leads to better export performance, then high-quality firms will remain exporters for longer time periods. This is indirectly another testable hypothesis that derives from the theoretical foundation (Balaoing, 2016). Depending on the above discussions, the following hypothesis is suggested:

**$H_4$**: Product Quality has a positive and significant effect on the export performance of textile and garment companies in Ethiopia.

Bougheas, Demetriades and Mamuneas (1999) have analyzed that infrastructure can promote specialization and long-run growth and its effect on resource costs. It requires resources to be taken away from the production of the final good and enhance economic growth through increased specialization. In the light of the above discussions, the following hypothesis is recommended:

**$H_5$**: Infrastructure has a positive and significant effect on the export performance of textile and garment companies in Ethiopia.

The textile sector or any other sector for that matter can only flourish or grow if the policies of the government support the operations of the company on both the micro-environmental level and the macro-environmental level. Economic barriers are the institutional barriers in general and political and legal constraints in particular. Politics is the combinations of effort by the government and other institutions, fields, and special interest groups to give future directions to the country considering the value and interest that people hold in addition to carrying on governmental and state affairs (Daunton, 2011). In the light of the above discussions, the following hypothesis is proposed:

**$H_6$**: Policy and regulation has a positive and significant effect on the export performance of textile and garment companies in Ethiopia.

# CHAPTER THREE

This chapter presents methodology, description of study area, the research approach, research design, data types and sources, population, Sampling technique and sample size determination, data collection procedures, data analysis techniques, ethical considerations, reliability and validity.

## 3.1 Methodology

### 3.1.1 Description of the study area

The study area focuses on the export market of Ethiopia with respect to textile and garment companies which have impact on the export performance. The government of Ethiopia has given special attention to local and foreign investors that participate in the export market of their subject product in the field. In one way, the government encourages private local and foreign investors to engage in the export market, and on the other hand there seems existence of threat that hinders these actors from the export market. There are controversial issues to successfully enlarge the export market. For decades, the government could not meet the export target and yet the export market of textile and garment companies has slipped to the local markets due to the problems faced in the export markets. In this regard, neither the investors nor the government has solved this problem and appears aggressively in the export market. Where lies the problem, will be investigated and analysed in this study.

### 3.1.2 Research approach

This research employed a quantitative research approach to test the effect of the various factors on export performance of textile and garment Companies in Ethiopia. Quantitative research approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. The objective of quantitative research is to develop and employ mathematical models, theories and hypotheses pertaining to natural phenomena. Quantitative approach is based on numerical observations and aims at generalizing a phenomenon through formalized analysis of selected data.

This study builds on specific phenomenon of factors to generalize the export market. It follows the deductive approach to generalize the export market from factors that affect the export performances.

### 3.1.3 Research design

It is a framework or blueprint for conducting the marketing research project. It guides the procedures necessary for obtaining the information needed to structure or solve marketing research problems. To achieve the objective of the study, the researcher used explanatory research design to examine those factors affecting export performance, and the relationship between each independent and dependent variables.

The contended cause that is the characteristics believed to make a difference are often referred to as the treatment or independent variable (factors which are supposed to affect export performance). The difference or effect of the independent variable is called the dependent variable (export performance) because it is dependent on what happens to the independent variable.

### 3.1.4 Population and sample

#### 3.1.4.1 Population

The target populations for the study were all textile and garment export companies in Ethiopia. Since the textile and garment export companies are less in number as compared to producers for domestic use, all were considered in the study and as such precision could be maintained.

#### 3.1.4.2 Sampling Method

Sampling is the process of selecting a representative group from the population under study. A sample is the group of people (participants) who take part in the investigation. Therefore,

a) All textile and garment exporters in the company were considered in the study.
b) Simple random sampling technique was adapted to select management members and professionals from various departments in the textiles and garment export companies.

#### 3.1.4.3 Sample Size

There are about 68 textile and garment Companies which are engaged in the export market with a total population of 41,907 (Appendix II). So, participants from the population of textile and garment producers that are engaged in the export market were chosen. To determine the sample size the Taro Yamane Sampling method was used. The Taro Yamane method for sample size calculation was formulated by the statistician Taro Yamane in 1967

to determine the sample size from a given population. Below is the mathematical illustration for the Taro Yamane Method (Imperial writers, 2016):

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

Where, 'n' is the sample size; 'N' is the number of the population under study; and 'e' signifies the margin error (5%).

As per the information obtained from Ethiopian Textile Industry Development Institute there are about 41,907 employees in textile and garment export Companies. Accordingly, based on the above formula the sample size of the study was decided to be 396 that is optimum to allow for precision, confidence, and conclusion of the research findings.

$$n = \frac{41{,}907}{1 + 41{,}907(e^2)} = \frac{41{,}907}{1 + 41{,}907(0.05^2)} = 396$$

### 3.1.5 Data sources and Types

Source of data: Data will be collected from the textile and garment companies that are supposed to export their products in the foreign market. In this study primary data were used. Primary data were collected through imparting structured questionnaire to the actual participants; management and professionals (experts).

### 3.1.6 Data collection procedures

Pilot survey conducted to reveal the weaknesses (if any) of the questionnaires and of the survey techniques by distributing the questionnaire to 20 respondents and tried to differentiate the ambiguous question to most respondents and rephrased to ensure every respondent clearly understand what it means before survey was fully launched. As the questionnaires distributed to respondents by hand delivery, a frequent phone follow up was made, which was effective in securing high response rate (81.6%).

### 3.1.7 Data Analysis

Data analysis, also known as analysis of data or data analytics, is a process of inspecting, cleansing, and transforming data with the goal of discovering useful information, suggesting conclusions, and supporting decision-making. It is also a process for obtaining raw data and converting it into information useful for decision-making by users. Data

analysis has multiple facets and approaches, encompassing diverse techniques under a variety of names, in different business, science, and social science domains.

The Method of analysis for this research was quantitative data. Descriptive statistics and inferential statistics employed to evaluate the relationship between the independent variables i.e. (export market knowledge, management competence, technology, product quality, infrastructure, and policy and regulation) with the dependent variable (export performance). All statements in the questionnaire were rated on a 5-point Likert scale (strongly agree, agree, neutral, disagree, and strongly disagree). Numbers were assigned to this scale i.e., strongly agree = 5, agree = 4, neutral = 3, disagree = 2 and strongly disagree = 1. Instruments that are valid and reliable to measure such constructs are crucial components of research quality (Kimberlin and Winterstein, 2008). Data was analyzed using Statistical Package for Social Sciences (SPSS) a tool that is used to analyze statistical data. Cronbach's alpha (α) was used to analyse data.

### 3.1.8 Reliability and Validity

Reliability and Validity tests were undertaken to assure whether the measurements are taken from true sources. Validity is synonymous with accuracy or correctness. The modality of a measuring instrument is defined as the extent to which differences in scores on it reflect true differences among individuals on the characteristic we seek to measure, rather than constant or random errors. The similarity of results provided by independent but comparable measures of the same object, trait, or construct is called reliability (Chrchill and Iacobucci, 2002).

### 3.1.9 Ethical Consideration

All the research participants included in this study were properly informed about the purpose of the research and their willingness and consent secured before the commencement of distributing questionnaires. The safety of respondents were not be harmed in any way during this survey and the confidentiality of responses and the identity of each participant maintained. In all cases, names kept confidential, thus collective names like 'respondents' used.

# CHAPTER FOUR
# RESULTS AND DISCUSSION

Statistical Package for Social Science (SPSS) software version 20 was used for data analysis. A quantitative analysis method adopted for data analysis since the information gathered was quantitative in nature. A reliability test was done by observing the Cronbach's Alpha value with the cut-off point of 0.60 (Malhotra & Birks, 2007). Inferential statistics (confidence intervals and tests of hypotheses) were used to the data analysis. The purpose of making statistical inferences is to generalize from sample results to the population characteristics. The analysis included correlation and regression to establish the strength and direction of the relationship between the variables. The results of analysis and discussions of what the results represent with respect to the objectives of the study presented in this chapter.

## 4.1 Findings of Quantitative Analysis

Out of 396 questionnaires distributed to targeted respondents, only 323 were complete, valid and appropriate for analysis, which represent 81.6 % valid response rate.

### 4.1.1 Reliability Test

Reliabilities of the scales were checked after coding and entry of data into SPSS version 20. Cronbach's coefficient alpha was computed for each scale to determine the internal consistency reliability of the instruments used in the study. According to Malhotra & Birks (2007), the value of 0.60 is considered as in the lower limit of acceptability for Cronbach's alpha. As depicted in Table 4.1, all variables in this study had alpha values above 0.60 and the overall alpha value is 0.922 which shows highly acceptability of the scales used.

**Table 4.1:** Summary of Reliability Analysis

| | N | Cronbach's Alpha if Item Deleted | Number of items |
|---|---|---|---|
| Export market Knowledge | 323 | .824 | 5 |
| Management competence | 323 | .824 | 5 |
| Technology | 323 | .819 | 5 |
| Product quality | 323 | .848 | 5 |
| Infrastructure | 323 | .817 | 5 |
| Policy and regulation | 323 | .844 | 5 |
| Export performance | 323 | .792 | 10 |

**Source**: S*urvey Result (May, 2018)*

## 4.2 Demographic Characteristics

As it is indicated in Table 4.2 out of 323 respondents, 127 (39.3%) of them were females and the remaining 196 (60.7%) of the respondents were males. Regarding to educational level, 18 (5.6%) of the respondents were master holders, 236 (73.1%) of the respondents were degree holders and 69 (21.4%) of the respondents were diploma holders. With respect to job position, 29 (9%) respondents were from high level management, 81 (25.1%) respondents were from middle level management, 37 (11.5%) respondents were from low level management, 163 (50.5%) respondents were from professionals, and 13 (4%) respondents were from other related departments. This implies that most of the respondents required the appropriate position, education level and were able to answer the questionnaire with better understanding of the export market level of their company.

**Table 4.2:** Demographic Characteristics: Sex, Educational Level, Position and Experience

| ***Items*** | | ***Frequency*** | ***Percent*** |
|---|---|---|---|
| Sex | Male | 196 | 60.7 |
| | Female | 127 | 39.3 |
| | Total | 323 | 100 |
| Educational Level | Masters | 18 | 5.6 |
| | Degree | 236 | 73.1 |
| | Diploma | 69 | 21.4 |
| | Total | 323 | 100 |
| Job Position | Higher Level | 29 | 9 |
| | Middle Level | 81 | 25.1 |
| | Low Level | 37 | 11.5 |
| | Expert | 163 | 50.5 |
| | Other | 13 | 4 |
| | Total | 323 | 100 |
| Experience | Below 5 Years | 182 | 56.3 |
| | 5 - 10 | 121 | 37.5 |
| | 11 - 15 | 13 | 4 |
| | Above 15 years | 7 | 2.2 |
| | Total | 323 | 100 |

**Source**: S*urvey Result (May, 2018)*

## 4.3 Descriptive Statistics of variables

Descriptive statistic of means and standard deviations were obtained from the independent and dependent variables. The descriptive analysis is used to look at the data collected and describe that information. Mean value provides the idea about the central tendency of the values of a variable. On the other hand, Standard deviation gives the idea about the dispersion of the values of a variable from its mean value.

All variables, export market knowledge, management competence, technology, product quality, infrastructure, policy and regulation, and export performance have mean score above average and it shows export performances were considered all independent variables while companies decide to engage in international market. The mean score for policy and regulation were 4.00. This indicates that respondents were more agreed that policy and regulation influenced more on export performance.

**Table 4.3:** Descriptive Statistics of the variables

**Descriptive Statistics**

| | N | Mean | Std. Deviation |
|---|---|---|---|
| Export market Knowledge | 323 | 3.86 | .735 |
| Management competence | 323 | 3.13 | .838 |
| Technology | 323 | 3.26 | .721 |
| Product quality | 323 | 3.17 | .756 |
| Infrastructure | 323 | 3.37 | .556 |
| Policy and regulation | 323 | 4.00 | .647 |
| Export performance | 323 | 3.34 | .727 |

**Source**: S*urvey Result (May, 2018)*

## 4.4 Inferential Analysis

### 4.4.1 Pearson Correlation Analysis

In order to determine the association between the independent variables (export market knowledge, management competence, technology, product quality, infrastructure, policy and regulation) and the dependent variable (export performance), the researcher used correlation analysis and Pearson correlation was computed. As the results indicated in Table 4.4 the

independent variables are significantly and positively correlated with dependent variable: export market knowledge (r=0.614, p<.001), management competence (r=0. 924, p<.001), technology (r=0.632, p<.001), product quality (r=0.277, p<.001), infrastructure (r=0.526, p<.001) and policy and regulation (r=0.370, p<.001).

Among the independent variables, management competence (r=0. 924, p<.001), technology (r=0.632, p<.001), export market knowledge (r=0.614, p<.001), and infrastructure (r=0.526, p<.001) have positive and significant correlation with export performance. This indicates that textile and garment companies were highly influenced by management competence, technology, export market knowledge and infrastructure while they decided to evaluate their export performances.

**Table 4.4:** Correlation between the independent variables and the dependent variable

**Correlations**

| | | EMK | MC | Tech | PQ | IF | PR | EP |
|---|---|---|---|---|---|---|---|---|
| Export market Knowledge (EMK) | Pearson Correlation | 1 | .379** | .294** | .186** | .476** | .796** | .614** |
| | Sig. (2-tailed) | | .000 | .000 | .001 | .000 | .000 | .000 |
| | N | 323 | 323 | 323 | 323 | 323 | 323 | 323 |
| Management competence (MC) | Pearson Correlation | .379** | 1 | .515** | .243** | .447** | .184** | .924** |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .001 | .000 |
| | N | 323 | 323 | 323 | 323 | 323 | 323 | 323 |
| Technology (Tech) | Pearson Correlation | .294** | .515** | 1 | .584** | .515** | .232** | .632** |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .000 | .000 | .000 |
| | N | 323 | 323 | 323 | 323 | 323 | 323 | 323 |
| Product quality (PQ) | Pearson Correlation | .186** | .243** | .584** | 1 | .683** | .180** | .277** |
| | Sig. (2-tailed) | .001 | .000 | .000 | | .000 | .001 | .000 |
| | N | 323 | 323 | 323 | 323 | 323 | 323 | 323 |
| Infrastructure (IF) | Pearson Correlation | .476** | .447** | .515** | .683** | 1 | .353** | .526** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | .000 | .000 |
| | N | 323 | 323 | 323 | 323 | 323 | 323 | 323 |
| Policy and regulation (PR) | Pearson Correlation | .796** | .184** | .232** | .180** | .353** | 1 | .370** |
| | Sig. (2-tailed) | .000 | .001 | .000 | .001 | .000 | | .000 |
| | N | 323 | 323 | 323 | 323 | 323 | 323 | 323 |
| Export performance (EP) | Pearson Correlation | .614** | .924** | .632** | .277** | .526** | .370** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | .000 | |
| | N | 323 | 323 | 323 | 323 | 323 | 323 | 323 |

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

**Source**: S*urvey Result (May, 2018)*

### 4.4.2 Assumption Testing for Multiple Regressions

Addressing the assumptions of regression analysis is necessary to confirm that data collected was truly represented the sample and the researcher has obtained the best results (Hair, Anderson, Tatham, and Black, 1998). Three assumption tests were checked before regression analysis was undertaken. These are; Multi-collinearity, Linearity and Normality.

#### 4.4.2.1 Multi-Collinearity

The two most important conditions to be fulfilled before conducting regression analysis are the adequacy of the sample size and non- existence of correlation among the independent variables (Ho, 2006). The size of the sample has a direct effect on the statistical power of the significance testing in multiple regressions, which refers to the probability of detecting statistically significant R-square or a regression coefficient at a specified significance level. Ho (2006) also suggested that the sample size should be at least 20 times more than the number of independent variables, as a rule of thumb, in order to get the desired level of statistical power. Given this rule of thumb, the number of respondents used for this study 396 is over the required criteria.

The other important condition for regression analysis is that there should not be interrelationship among independent variables. The situation in which the independent variables are highly correlated is known as Multi- collinearity. When independent variables are multi- collinear, there is "overlap" or sharing of predictive power, which may lead to a situation where the regression model fits the data well, but none of the predictor variables has a significant effect in predicting the dependent variable (Ho, 2006).

According to HO (2006), the existence of multi- collinearity can be checked using the "Tolerance" and "Variance Inflation Factor (VIF)" values for each predictor. The tolerance value is an indication of the percentage of variance in one predictor that cannot be accounted for by the other predictors. The value of tolerance should be above 0.10 and any value lower than this indicates the existence of multi-collinearity. On the other hand, VIF is computed as "1/tolerance," and a VIF value greater than 10 indicates the existence of multi- collinearity (Saunders, Lewis, & Thornhill, 2009). For this particular study, as it can be seen from Table 4.5, both the values of tolerance and VIF calculated for each independent variable on both

regression analyses fulfils the criteria discussed above, which indicate the non- existence of multi-collinearity.

**Table 4.5:** Multi-collinearity problem test of VIF and Tolerance coefficients[a]

| Model | | N | Collinearity Statistics | |
|---|---|---|---|---|
| | | | Tolerance | VIF |
| | Export market Knowledge | 323 | .282 | 3.550 |
| | Management competence | 323 | .600 | 1.666 |
| | Technology | 323 | .506 | 1.978 |
| | Product quality | 323 | .405 | 2.471 |
| | Infrastructure | 323 | .375 | 2.665 |
| | Policy and regulation | 323 | .344 | 2.910 |

a. Dependent Variable: Export performance
**Source**: S*urvey Result (May, 2018)*

#### 4.4.2.2 Linearity

According to Hair, et al. (1998), the linearity of the relationship between the dependent and independent variable represent the degree to which the change in the dependent variable is associated with the independent variable. In a simple sense, linear models predict values falling in a straight line by having a constant unit change (slope) of the dependent variable for a constant unit change of the independent variable. Conventional regression analysis will underestimate the relationship when nonlinear relationships are present, i.e., $R^2$ underestimates the variance explained overall and the betas underestimate the importance of the variables involved in the non- linear relationship (Malhotra, and Birks, 2007). The scatter plot of standardized residuals versus the fitted values for the regression models is as follows:

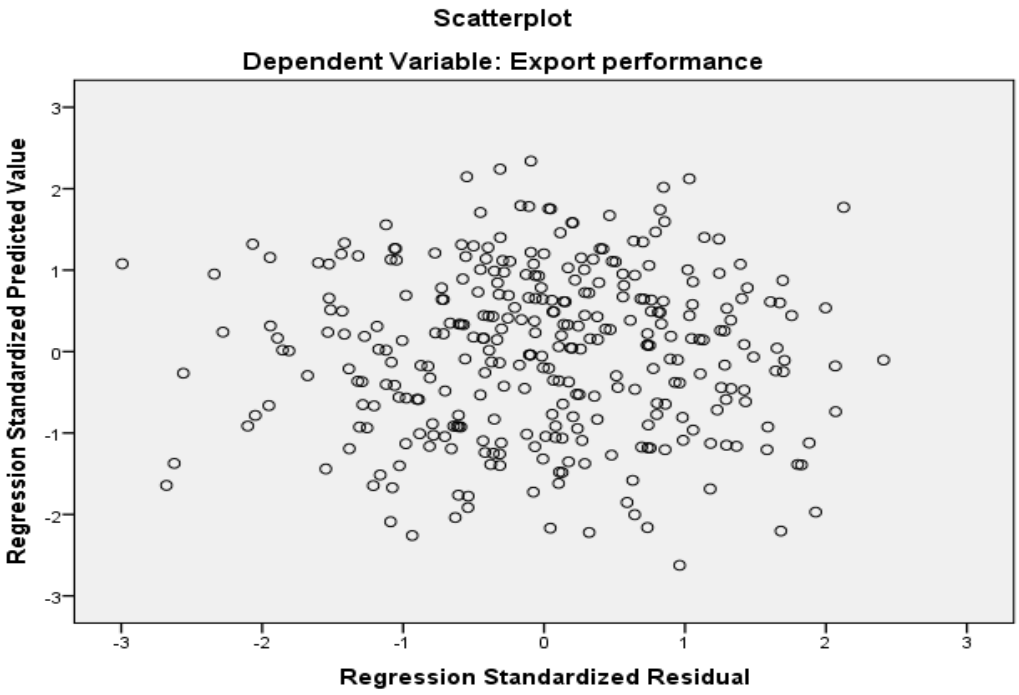


**Figure 4.1:** Linearity scatter plot of regression standardized residual

**Source**: S*urvey Result (May, 2018)*

#### 4.4.2.3 Normality of the Error term Distribution

Normality refers to the shape of data distribution for an individual metric variable, and its correspondence to the normal distribution (Hair et al., 2003). For estimating normality, skewness and kurtosis information values were observed, and probability plots were also drawn. Skewness 'provides information regarding the symmetry of the distribution, whereas Kurtosis 'provides information regarding peakedness of the distribution (Pallant, 2001). According to Hair (2010), the most commonly acceptable value for (kurtosis/skewness) distribution is ±2.58. As Table 4.6 shows, all values of skewness and kurtosis for the transformed and standardized values have been found to be within the acceptable range.

In addition, Malhotra and Birks (2007) propose that normal probability plots are often conducted as an informal means of assessing the non normality of a set of data. Hair et al. (1998) also explain that the plots are different from residuals plots in that the standardized residuals are compared with the normal distribution. In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal. If a

distribution is normal, the residual line will closely follow the diagonal (Hair, et al., 1998). The following graphs show that the P-P plots is a straight line which justifies the residuals was deemed to have a reasonably normal distribution, as suggested by Hair, et al. (1998).

**Table 4.6:** *Skewness and Kurtosis*

**Descriptive Statistics**

| | N | Skewness | | Kurtosis | |
|---|---|---|---|---|---|
| | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| Export market Knowledge | 323 | -1.161 | .136 | 1.734 | .271 |
| Management competence | 323 | -.072 | .136 | -.855 | .271 |
| Technology | 323 | -.260 | .136 | -.235 | .271 |
| Product quality | 323 | -.218 | .136 | -.573 | .271 |
| Infrastructure | 323 | -.137 | .136 | -.570 | .271 |
| Policy and regulation | 323 | -1.249 | .136 | 2.586 | .271 |
| Export performance | 323 | -.161 | .136 | -.579 | .271 |
| Valid N (list wise) | 323 | | | | |

**Source**: S*urvey Result (May, 2018)*

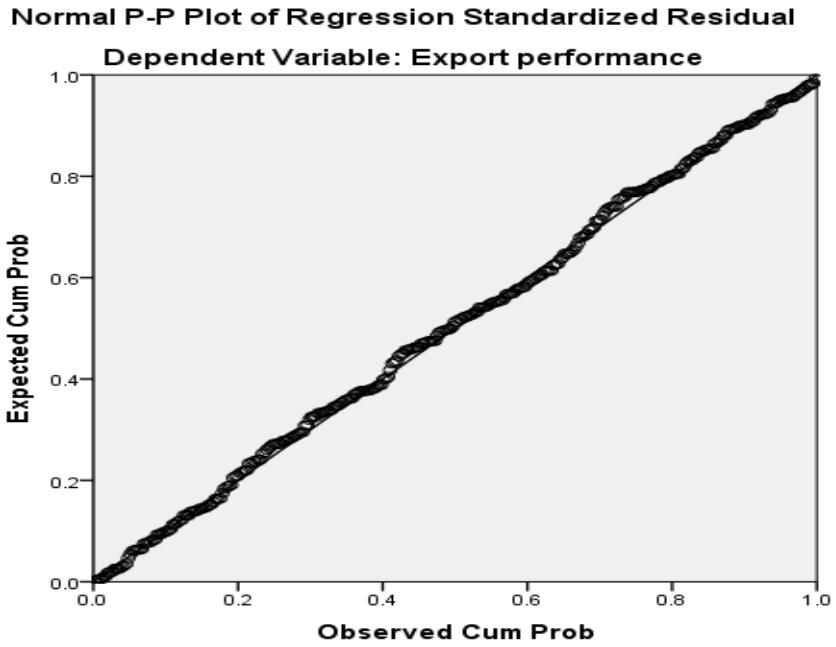


**Figure 4.2:** *Normality plot of regression standardized residual*
**Source**: S*urvey Result (May, 2018)*

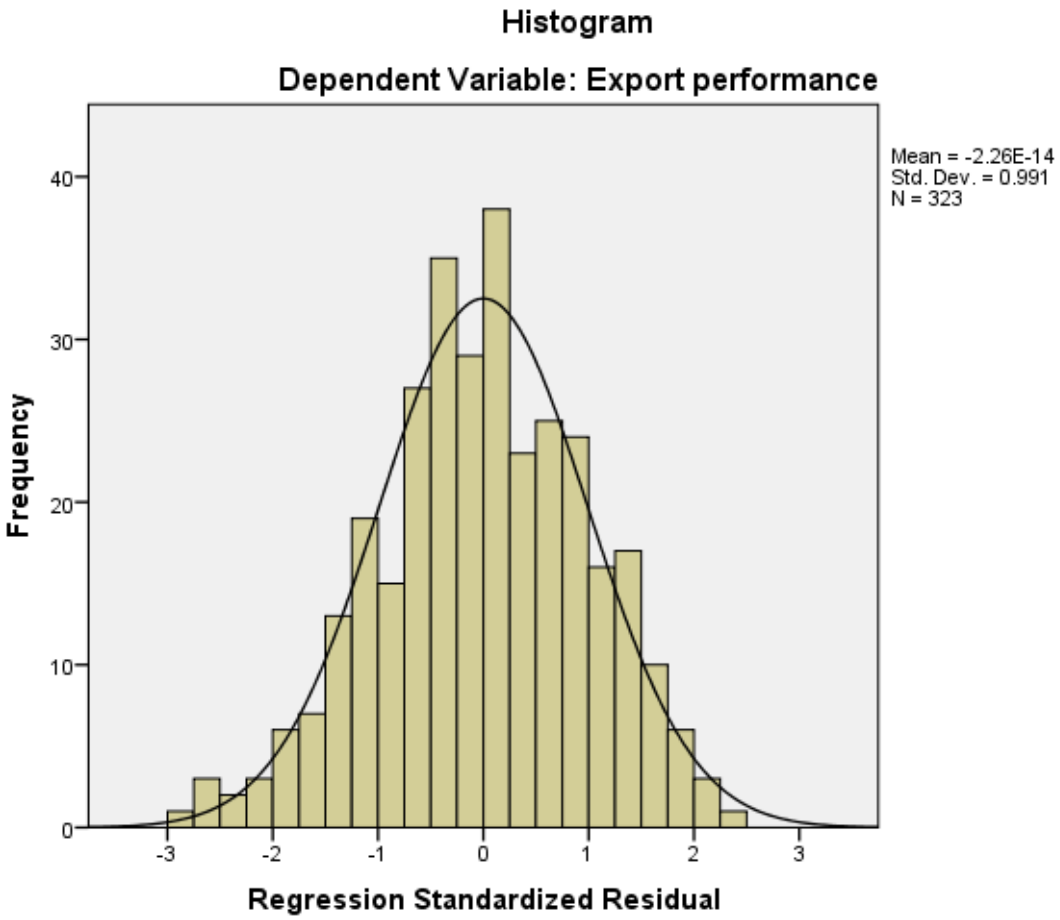


**Figure 4.3:** Histogram plot for regression standardized residual
Source: Survey Result (May, 2018)

## 4.5 Multiple Regression Analysis

According to Marczyk, DeMatteo, and Festinger (2005), linear regression is a method of estimating or predicting a value on some dependent variables given the values of one or more independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike with correlations, however, the primary purpose of regression is prediction.

Multiple R is a correlation between the observed values of Y, the values of Y predicted by multiple regression models. Therefore, large values of the multiple R represent a large correlation between the predicted and observed values of the outcome. Adjusted R square

was used to measure the percentage of variance in the dependent variable explained by the independent variables. From the multiple regression equation, the standard regression coefficient (beta weight) was determined to compare the effect of each independent variable had on the variability of the overall export performance.

The model summary table shows the strength of relationship between the independent and the dependent variable. Based on Table 4.7 model summary result, when overall export performance was regressed on overall the six independent variables, the independent variables contribute to statistically significant relationship ($p< 0.01$) between the dependent variable.

The coefficient of determination $R^2$ is a measure of how good a prediction of the dependent variable we can make by knowing the independent variables. Accordingly, 96.5% of the variation accounted for the dependent variable is due to the combined effect of the independent variables. But, sometimes $R^2$ tends to somewhat over-estimate the success of the model when applied to real world. Therefore, to see the success of our model in the real world, adjusted $R^2$ is more preferable than $R^2$. Therefore, the variation explained by the regression of all the predictor variables on export performance is 96.4%.

**Table 4.7:** Model Summary

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .982[a] | .965 | .964 | .138 |

a. Predictors: (Constant), Policy and regulation, Product quality, Management competence, Technology, Infrastructure, Export market Knowledge

b. Dependent Variable: Export performance

**Source**: S*urvey Result (May, 2018)*

The B- values depicted in Table 4.8 tell us the relationship between export performance and each predictor. If the value is positive we can tell that there is positive relationship between predictor and the outcome, whereas a negative coefficient represents negative relationship. The standardize beta value for management competence is 0.700. This indicates that this variable has relatively strong degree of importance for export performance than others. This

tells us that the effect of management competence is greater than that of export market knowledge; the effect of export market knowledge is greater than the effect of technology in explaining the variability of overall export performance. The *p* values of all independent variables except infrastructure are less than 0.01. This indicates that there is a positive and significant relationship between the independent variables (management competence, export market knowledge, technology, policy and regulation, and product quality) and dependent variable (export performance). Since, coefficient of the independent variables were statistically at <5% level of significance, alternative hypotheses related with management competence, export market knowledge technology, policy and regulation and product quality were accepted.

The significance level for infrastructure is 0.013. Although, Infrastructure has positive effect on export performance, it is not significant (P- value 0.013). Therefore; alternative hypotheses related with infrastructure was rejected.

**Table 4.8:** Regression Analysis of Independent and Dependent Variable

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.080 | .060 | | -1.345 | .180 |
| | Export market Knowledge | .360 | .020 | .364 | 18.308 | .000 |
| | Management competence | .608 | .012 | .700 | 51.400 | .000 |
| | Technology | .232 | .015 | .230 | 15.466 | .000 |
| | Product quality | .085 | .016 | .088 | -5.306 | .000 |
| | Infrastructure | .018 | .023 | .013 | .783 | .434 |
| | Policy and regulation | .103 | .020 | .091 | -5.066 | .000 |

a. Dependent Variable: Export Performance

***Source:*** *Survey Result (May, 2018)*

### 4.5.1 Analysis of Variance

ANOVA table shows that the combination of variables significantly predicts the dependent variable. ANOVA tests whether the model is significantly better at predicting the outcome than using the mean as a best guess; specifically, the F-ratio represents the ratio of the improvements in prediction that results from fitting the model, relative to the inaccuracy that still exists in the model. For these data, F is 1443.386, which is significant at $p<0.001$. This result tells us there is less than a 0.1% chance that an F-ratio would happen by chance alone. Therefore, it implies that the regression model results in significantly better prediction of export performance than if we used the mean value of export performance.

**Table 4.9:** ANOVA

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 164.254 | 6 | 27.376 | 1443.386 | .000[b] |
| | Residual | 5.993 | 316 | .019 | | |
| | Total | 170.247 | 322 | | | |

a. Dependent Variable: Export performance

b. Predictors: (Constant), Policy and regulation, Product quality, Management competence, Technology, Infrastructure, Export market Knowledge

**Source**: *Survey Result (May, 2018)*

The objective of the regression in this study is to find such an equation that could be used to find the impact of predictors on dependent variable. The generic form of regression equation takes the following form:

$$\beta 0 + \beta 1x$$

The specified regression equation for this study takes the following form;

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X6$$

In the above equation, predictor variables $X_{1\text{-}6}$ may represent independent variables or covariates (control variables). Covariates are variables that are not of theoretical interest but may have some impact on the dependent variable y and should be controlled, so that the residual effect of the independent variables of interest are detected more precisely. Covariates capture systematic errors in a regression equation while the error term (E) captures random errors (Bhattacherjiee, 2012).

Equation;

$$\mathbf{Y= \alpha + \beta 1\ (EMK) + \beta 2\ (MC) + \beta 3\ (Tech + \beta\ 4\ (PQ) + \beta 5\ (IF) + \beta 6\ (PR)}$$

Where:

Y = Export Performance (EP)

EMK= Export Market Knowledge

MC = Management Competence

Tech = Technology

PQ = Product Quality

IF = Infrastructure

PR = Policy and Regulation

## 4.6 Discussion of Findings

This study was carried out to answer the research six main questions which were listed in chapter one. Namely; (1) How does the export market knowledge of actors in the textile and garment industry in Ethiopia influence export performance? (2) To what extent the competence of management of the textile and garment industry in Ethiopia affect export performance? (3) How does the technology of the textile and garment industry in Ethiopia influence export performance? (4) To what extent the product quality of the textile and garment industry in Ethiopia influence export performance? (5) How does infrastructure of the textile and garment industry in Ethiopia influence export performance? And (6) To what extent the policy and regulation of the government in the textile and garment industry in Ethiopia influence export performance?

As a result, the study revealed that management competence has a positive and significant effect on export performance with a mean value of 3.13. This result is supported by the finding of different scholars. The finding shows that management competence plays an important role to impact the export performances of the textile and garment companies in Ethiopia.

Several studies have mentioned that management team's influence on firm's export performance (Li Ling-yee and Gabriel O. Ogunmokun, 2001). The firm's decision makers or

managers play a vital role to the development of export strategy. Management capabilities provide superior support to international customers and it helps to develop a close relationship with them. Managers, who bring international opportunities that is profitable for firm and a means for expanding the business internationally (Stavroula Spyropoulou, Dionysis Skarmeas, Constantine S. Katsikeas, 2010).

In the context of international market ventures, where the business environment is complex and hostile, the eminent of managerial function is even more evident. This is supported by the empirical findings of Carpenter, Sanders and Gregersen (2001) where multinational enterprises performed better when the top managers possessed international human capital qualities. Different research papers have supported the positive impact of management competence on export performance of firms. It is the internal capability of firms to handle the international market that can improve the export performance of companies.

With respect to "management competence" as a factor, both business entities' competence (capabilities) and constraints or internal factors such as strengths & weaknesses sway their choice of marketing strategy and ability to implement a chosen strategy (Aaker, 1988). The resources of a firm constitute its international market experience (Douglas and Craig, 1989) for export market development (O'Cassand Julian, 2003). Being ownership of such resources enables a business entity to identify the peculiarity in the export markets, and helps develop suitable marketing strategies and implement them effectively, thus achieving higher export marketing performance in the industry (Cavusgil and Zou, 1994).

The absence of commitment on behalf of management towards engaging in export marketing and the absence of adequate skills and expertise at a managerial, supervisory and production employee's level is indeed a serious problem to the international market and will have a negative effect on the export marketing performance of export market business enterprise. When managers are committed to an export venture, they carefully plan and allocate sufficient managerial and financial resources to the business. With formal planning and resource allocation skills, uncertainty is reduced and marketing strategy can be implemented effectively leading to better performance (Julian, 2003). This study's findings confirm the findings of previous research that the management of export firms must make commitments to their products/services and to the export market they are operating in for export marketing

success (Julian, 2003). If not, the same significant negative effect will be contributed to the firm's export marketing performance in case management lacks the competence to contribute to export markets on a continuing basis and will be forced to place greater emphasis on developing the domestic market, no way (Kedia and Chhokar, 1986). Specifically, differences in product usage in various foreign markets, language and cultural differences, the need to modify pricing and promotional policies according to the condition of the foreign market and the need to adapt products to meet foreign customer preferences all require management's attention.

As far as managerial unresponsiveness towards the value of exporting is concerned a negative attitude towards exporting must be avoided at all times as it limits the company from exploiting their full potential. In relation to a lack of capacity dedicated to a continuing supply of exports management should consider being involved in exporting on a regular basis rather than using exporting to increase profitability when the domestic market is weak and there is excess productive capacity. That way the firm will be able to determine its own destiny and maintain and increase profitability on a continuous basis not just when the domestic market is slow or in decline.

As Lages (2000) suggested, the skills of top management, training in international business and their knowledge in foreign languages are positively related to export marketing performance. Therefore, these findings make it vital that proper export training programs should not be only for management but for all personnel involved in exporting. The study findings also confirm previous findings generally, that export managers must be aware of the importance of adapting the venture's products/services to meet the needs of the global market success.

On the other hand, export market knowledge also has a positive and significant effect on export performance of textile and garment companies. Research on export performance has discovered several influencing variables, but the type and magnitude of the impacts have not been determined (Chetty & Hamilton, 1993; Theodosiou & Leonidou, 2003). The picture gets more complex when considering that the impact of a given factor may depend on the specific measure of performance used, but none of the existing measures has reached universal acceptance. Moreover, there are probably many simultaneous relationships and feedback

effects, not only between influencing factors and export performance but also among the influencing factors themselves (Jorge Carneiro et al., 2011).

It is found that the firm experience (knowledge) on export has positive relationship on export performance (Madsen 1989). It is understood that experiential knowledge about overseas markets and operations is driving force in the internalization of the firm. The relationship between exporting experience and export performance lies in the issue of uncertainty and the way the firms cope with it (Erramilli, 1991). Different research papers have supported the positive impact of export market knowledge on export performance of firms.

It can be argued that in the context of "export market knowledge" any industry intending to engage in the export market (international market) should understand the marketing behavior, cultural values, rules and policies, comparative advantages, and means of communication (language) of nations in the international market so as to benefit from the sector. This is a solid fact because knowledge is power for a country in general and to individual business entity (companies) in particular to stay long in the international market. In this regard, business entities should give special attention to build the mental set up of their subordinates towards export market. In doing this the first user is the company and in fact contributes a lot for a nation growth and development.

Therefore, this finding makes it vital that proper export training programs should be executed for management and for all personnel involved in export activities. As Lages (2000) suggested, the skills of top management, training in international business and their knowledge in foreign languages are positively related to export marketing performance. An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required (Douglas and Craig, 1989). As such, marketing strategy is likely to lead to better export marketing performance and an inexperienced firm may see the costs of pursuing such a strategy as a barrier to entry. Foreign firms in the newly established industrial parks are likely to follow standardized strategy because they already had established international market while local firms are liable to follow adaptation strategy due to different factors such as on and off engagement in the international market, less understanding of the cultural values of the international market,

reduced transaction of international market, outdated textile and garment machineries, and so on. In this research it has also been proved the impact of export market knowledge on export performances.

Technology has a positive and significant effect on export performance with mean value of 3.26. Nandal (2008), in his study has shown that there are some specific and measurable characteristics common to all successful exporters. In the area of export management Nadal (2008) has identified several firm and managerial characteristics associated with the export activity of manufacturing firms. Export performance or success has been evaluated by a variety of measures, such as export intensity (export sales as a percentage of total sales) or export growth.

According to the Buckley and Casson, (1991) technology is an important factor in a manufacturing firm's to move product freely in international marketplace. The impact of technology on export performance is a well-researched issue (Charles Dhanaraj and Paul W. Beamish, 2003). For any kind of firm technology is one of the key element, and base on its technology a firm can be able to take advantages from international market (Charles Dhanaraj and Paul W. Beamish, 2003). Moreover, technology is an important variable that explain internationalization of a firm, and it is seen in many international business research. In this study the positive impact of technology on export performance has been proved.

As far as technology is concerned, the study findings have shown that there is a positive and significant relationship between technology and export performance of textile and garment companies. Most textile and garment enterprises (factories) in Ethiopia are outdated except those in the newly established industry parks in which state-of-the-art technologies are in use.

Policy and regulation has a positive and significant effect on export performance with mean value of 4.0. Economic barriers are the institutional barriers in general and political and legal constraints in particular. Politics is the combinations of effort by the government and other institutions, fields, and special interest groups to give future directions to the country considering the value and interest that people hold in addition to carrying on governmental and state affairs (Daunton, 2011). Generally, the government of a particular country develops the rules and procedures for the day to day life through political and legal system. Business is

considered as the integral part of this daily life. Therefore, business could not be conducted avoiding the political and legal system (Sethi et al., 2012). There are many ways that the political and legal environment might influence the business environment. Political and legal systems of each and every country influence the business environment directly by changing existing (or by introducing new) policies, regulations and law.

As far as product quality is concerned, the findings show that it has a positive and significant effect on export performance with mean value of 3.17. A range of variables are indicated for measuring export performance including international commitment, market focus, international experience and environmental characteristics, as existed in a wide range of literature (Lages L.F., Mongomery D. B., 2004; Kahiya E. T., Dean D. L., 2014).

The quality of final product is determined by various factors especially two factors that contribute maximum are raw material and machine (technology). Especially in the case of textile and garment exports, the firms' competitiveness depends on the ability to pay the cost of technology and access to technology (Falvey's, 1979).

Therefore, even if different literatures support infrastructure to influence export performances this research has proved that its influence on export performance is insignificant in the textile and garment companies in Ethiopia.

**Table 4.10:** Summary of the overall outcome of the research hypothesis

| ***Hypothesis*** | ***Result*** | ***Reason*** |
|---|---|---|
| **$H_1$**: Export Market Knowledge has a positive and significant effect on the export performance of textile and garment industries in Ethiopia. | Accepted | β=**364**, p<0.05 |
| **$H_2$**: Management competence has a positive and significant effect on the export performance of textile and garment industries in Ethiopia. | Accepted | β=**0.700**, p<0.05 |
| **$H_3$**: Technology has a positive and significant effect on the export performance of textile and garment industries in Ethiopia. | Accepted | β=**0.230**, p<0.05 |
| **$H_4$**: Product Quality has a positive and significant effect on the export performance of textile and garment industries in Ethiopia. | Accepted | β=**0.088**, p<0.05 |
| **$H_5$:** Infrastructure has a positive and significant effect on the export performance of textile and garment industries in Ethiopia. | Rejected | β=0.013, p>0.05 |
| **$H_6$:** Policy and regulation of export of the Ethiopian Government has a positive and significant effect on the export performance of textile and garment industries in Ethiopia. | Accepted | β=**0.091**, p<0.05 |

**Source**: S*urvey Result (May, 2018)*

# CHAPTER FIVE
# Conclusion and Recommendation

## 5.1 Conclusion

This study was focused on examining the influence of export market knowledge, management competence, technology, product quality, infrastructure, and policy and regulation on export performance. To achieve these objectives a conceptual model was formulated by reviewing previous related literatures, hypotheses were developed, tested and the following conclusions were reached.

As per the finding, management competence, export market knowledge, technology, policy and regulation and product quality have positive and significant effect on export performance. Thus, export performance was mainly determined by the management competence, export market knowledge, technology, policy and regulation and product quality. Though, infrastructure has a positive relation on export performance, it is not statistically significant.

## 5.2 Recommendation

Textile and Garment Companies in Ethiopian have huge potential. The country has tremendous cultivable lands (arable lands) in the low land areas that can provide cotton as a raw material for the sector. However, up to now a very small portion of this potential has been exploited. This is because of myriads of problems, lack of knowledge on the subject, poor management capability, outdated machineries etc. Failures in tackling these problems and constraints using systematic and interconnected approach will not support companies to be competent in the international market. This study identified important elements that require proper attention. Based on the findings and conclusions made, the following main recommendations are made:

- It would be better for the government and all stakeholders to work with equal commitment and sense of urgency to strengthen the supply chain of the textile and garment companies and to improve the competitiveness of the companies on the international market. For effective coordinating and handling of proper market strategies, the newly established Textile and Apparel Industry Development Institute has to play a

great role to strengthen the companies under question together with the joint effort of stakeholders (banks, investment offices, ministry of industry etc). The institute should pave the way for the companies to enter the international market with full package. Therefore, the institute has nationwide responsibility and should give attention to build the mental set up of actors like managements, workers and related staff in order to tackle the problems that are explained in the international market.

- In addition, the government of Ethiopia also needs to empower this institute to exercise practical power so that it would bring all governmental and non-governmental stakeholders efforts to the required level. It is also recommended that for the textile and garment companies accomplish their international duties peacefully, stakeholders should communicate and support each other for mutual benefit. The government also needs to assemble and implement the best experience of successful countries as a bench mark to support this institute and improve the export performance of the companies.

Above all, it is so important for the government of Ethiopia to create rural and urban public awareness on the sensitivity of export product considering the following points:

- ✓ To strengthen the unsubstantiated integration between the textile companies and cotton production in the agriculture sector and to mitigate the negative impact of cotton export on these companies. This is because the Ethiopian government encourages all producers to provide their products in the international market to alleviate hard currency problems suppressing the textile and garment companies to suffice their cotton product needs from abroad. It is advisable for the government to work hard to attract new investment in the cotton production and provide tangible support for existing companies so as to expand their capacity in terms of technological advancement. Besides, the government also needs to design special incentive schemes for cotton producers that supply the domestic company.
- ✓ Government has to support the overall company performance undertaking capacity buildings specific to the sector. This can be done through attracting genuine foreign subject matter specialists that are well experienced to share their knowledge.

## 5.3 Directions for Future Research

The findings of this study should augment top level management understanding on how to identify such export performance influencing factors as export market knowledge, management competence, technology, product quality, and policy and regulation to improve export market performance. This study has the following future research directions:

- First, the findings help managers diagnose the existence and level of export market knowledge gap and export market performance strategies.
- Second, further research should be undertaken to identify factors associated with export market knowledge, management competence, and technology that have impact on export performance so as to strengthen the firms overall performance. Policy and regulation of the government of Ethiopia should be revised as the country's commitment to the outside world gets acceptance and as far as huge investment is intended for future growth and development shallow policy and regulation should be relaxed.

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## Appendix I:

**Master's Thesis Research Questionnaire**

Name: EyelachewMuluye
Organization: Ministry of Public Enterprises
Address: EyelachewMuluye, P.O.Box 22985, Addis Ababa, Ethiopia.
Email: eyelachewmuluye@yahoo.com or ema7743@gmail.com
Mobile: 0921 89 91 85

Dear Executive,

I am currently pursuing my Masters degree at Addis Ababa University, School of Commerce; major in Marketing Management, with a thesis title focussed at textile and garment companies in Ethiopia. The purpose of my study is to learn more about factors that influence the export performance of textile and garment companies in Ethiopia. I believe the results will not only be value to individual firms but will also help the Ethiopian foreign trade and companies better identify the kind of information, incentives, and assistance essential to exports. The company and you are part of a representative sample of Ethiopian textile and garment manufacturing companies that target the export market. Your attitudes and opinions and the export behaviour of the company are critical to the success of my study. I recognize the value of your time, and sincerely appreciate your efforts on my behalf. Individual responses are anonymous (being publicly unknown) and all company level data will be held in confidence. Please take your precious time to complete this questionnaire and submit it at your earliest convenience.

If you would like further clarification and information about the study, or have any problem in completing the questionnaire please contact me via my mob. No. **0921 89 91 85.**

Thank you for your time.

Sincerely,

EyelachewMuluye(Master of Art candidate in Marketing Management)

**I. Respondents profile (**please put "√" in the box provided)

a) Please indicate your gender: Male ☐ Female ☐

b) Please indicate your educational background

Masters ☐ 1st degre ☐ Diploma ☐ High school ☐

☐ Others

c) Position held in the firm

Executive level manager ☐ Middle class manager ☐ Line manager ☐

Professional ☐ Others (please specify) ☐

d) How long have you been working in your current position?

Below five years ☐ 5 – 10 years ☐ 11 – 15 years ☐ > 15 years ☐

| Factors | | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|---|---|---|---|---|---|---|
| **E** | **Export Market Knowledge** | | | | | |
| E1 | The Textile and Garment firm has better knowledge of the export market. | 1 | 2 | 3 | 4 | 5 |
| E2 | The Textile and Garment firm knows the cultural values of foreign countries (customers) very well. | 1 | 2 | 3 | 4 | 5 |
| E3 | The Textile and Garment firm understands the behaviour of customers' perception of the product in the importing countries. | 1 | 2 | 3 | 4 | 5 |
| E4 | The Textile and Garment firm has adequate export product knowledge. | 1 | 2 | 3 | 4 | 5 |
| E5 | The Textile and Garment firm understands the demand for the product in the export market. | 1 | 2 | 3 | 4 | 5 |
| | **Factors** | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly agree** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **C** | **Management Competence** | | | | | |
| C1 | Management has regular meeting to enhance the export performance of the firm. | 1 | 2 | 3 | 4 | 5 |
| C2 | Management has better communication with the outside world with respect to textile and garment. | 1 | 2 | 3 | 4 | 5 |
| C3 | Management controls each and every activity of the export product. | 1 | 2 | 3 | 4 | 5 |
| C4 | Management finds solution to problems associated with the export market. | 1 | 2 | 3 | 4 | 5 |
| C5 | Management has better understanding and easy communication with the work force in the firm. | 1 | 2 | 3 | 4 | 5 |
| **Factors** | | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly agree** |
| **T** | **Technology** | | | | | |
| T1 | The existing textile and garment technology performs well. | 1 | 2 | 3 | 4 | 5 |
| T2 | The existing textile and garment technology has longer down time. | 1 | 2 | 3 | 4 | 5 |
| T3 | The existing textile and garment technology produces under attainable capacity. | 1 | 2 | 3 | 4 | 5 |
| T4 | The existing textile and garment technology lacks spare parts. | 1 | 2 | 3 | 4 | 5 |
| T5 | The existing textile and garment technology power consumption is high. | 1 | 2 | 3 | 4 | 5 |
| **Factors** | | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly agree** |
| **PQ** | **Product Quality** | | | | | |
| PQ1 | The existing textile and garment firm produces export standard product. | 1 | 2 | 3 | 4 | 5 |
| PQ2 | The existing textile and garment firm has shorter delivery time reaching the world market. | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| PQ3 | The existing textile and garment firm utilizes quality raw material. | 1 | 2 | 3 | 4 | 5 |
| PQ4 | The existing textile and garment firm has positive feedback from foreign customers towards its product quality. | 1 | 2 | 3 | 4 | 5 |
| PQ5 | The existing textile and garment firm gives special attention to product quality. | 1 | 2 | 3 | 4 | 5 |
| **Factors** | | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly agree** |
| **IF** | **Infrastructure** | | | | | |
| IF1 | The textile and garment firm performs under comfortable working environment (water, light, and the like). | 1 | 2 | 3 | 4 | 5 |
| IF2 | The textile and garment firm delivers its product to Djibouti port or any outlet in time. | 1 | 2 | 3 | 4 | 5 |
| IF3 | The textile and garment firm has easy access to the main gates of export market. | 1 | 2 | 3 | 4 | 5 |
| IF4 | The textile and garment firm has easy access to raw materials with respect to transport. | 1 | 2 | 3 | 4 | 5 |
| IF5 | The textile and garment firm has infrastructure development with respect to store, warehouse, etc | 1 | 2 | 3 | 4 | 5 |
| **Factors** | | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly agree** |
| **P** | **Policy and Regulation** | | | | | |
| P1 | Policy and Regulation of the country towards the export market is conducive (helpful). | 1 | 2 | 3 | 4 | 5 |
| P2 | Policy of tax and regulation of tariffs gives much support to the textile and garment firm. | 1 | 2 | 3 | 4 | 5 |
| P3 | Textile and garment policy of the country creates special benefit to the firms under question. | 1 | 2 | 3 | 4 | 5 |
| P4 | Loan policy of Banks support and treats specially textile and garment exporters. | 1 | 2 | 3 | 4 | 5 |
| P5 | Import Policy of the country encourages (allows) textile and garment exporters to introduce new technologies, dye items, and spare parts etc. | 1 | 2 | 3 | 4 | 5 |
| **Factors** | | **Strongly disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly agree** |

| EP | Export Performance | | | | | |
|---|---|---|---|---|---|---|
| EP1 | Textile and Garment Export performance will be affected by export market knowledge. | 1 | 2 | 3 | 4 | 5 |
| EP2 | Textile and Garment Export performance will be affected by management competence. | 1 | 2 | 3 | 4 | 5 |
| EP3 | Textile and Garment Export performance will be affected by technology. | 1 | 2 | 3 | 4 | 5 |
| EP4 | Textile and Garment Export performance will be affected by product quality. | 1 | 2 | 3 | 4 | 5 |
| EP5 | Textile and Garment Export performance will be affected by infrastructure. | 1 | 2 | 3 | 4 | 5 |
| EP6 | Textile and Garment Export performance will be affected by policy and regulation. | 1 | 2 | 3 | 4 | 5 |
| EP7 | Textile and Garment Export performance contributes to the growth of the national economy (gross national product). | 1 | 2 | 3 | 4 | 5 |
| EP8 | Textile and Garment Export performance contributes to the foreign currency earnings of the country. | 1 | 2 | 3 | 4 | 5 |
| EP9 | Textile and Garment Export performance contributes to enhance employment opportunity. | 1 | 2 | 3 | 4 | 5 |
| EP10 | Textile and Garment Export performance contributes to enhancement of investment activities in the country. | 1 | 2 | 3 | 4 | 5 |

**Thank you for your participation!!**

## Appendix II:

List of 46 responded Textile and Garment Companies for export market in Ethiopia:

| No. | Name of Enterprises | No. of Employees |
|---|---|---|
| 1 | ALMEDA Textile PLC | 5,606 |
| 2 | Al-Mehdi Industrial PLC | 350 |
| 3 | Arbaminch Textile and Garment S/C | 789 |
| 4 | Arvind Lifestyle Manufacturing PLC | 850 |
| 5 | ASBM Industrial PLC | 1035 |
| 6 | Ashton Apparel PLC | 1594 |
| 7 | Ayika Addis Textile and Inv't PLC | 3959 |
| 8 | Bahirdar Textile and Garment Factory | 1,491 |
| 9 | B-Connected Labeling PLC | 100 |
| 10 | BM Ethiopia Textile and Garment S/C | 651 |
| 11 | C and H Garment PLC | 81 |
| 12 | Concept International Ethiopia PLC | 239 |
| 13 | Desta Companies PLC | 557 |
| 14 | Dongfang Spinning, Printing, and Dyeing PLC | 402 |
| 15 | Feleke Textile PLC | 300 |
| 16 | GMM Garment PLC | 217 |
| 17 | Guangfei Garment PLC | 260 |
| 18 | Gullele Garment PLC | 182 |
| 19 | Hua Xia Textile PLC | 376 |
| 20 | Huahui Zhang Textile Manufacturing PLC | 342 |
| 21 | JP Textile (Ethiopia) PLC | 350 |
| 22 | Kanoria Africa Textile PLC | 500 |
| 23 | KebireInterprise/Maa Garment and TextileP.L.C./ | 1708 |
| 24 | KEI Garment PLC | 350 |
| 25 | Knit to Finish PLC | 360 |
| 26 | Kombolcha Textile and Garment Factory | 1,550 |

| No. | Name of Enterprises | No. of Employees |
|---|---|---|
| 27 | Linda Garment PLC | 380 |
| 28 | Lusy Garment Company PLC | 105 |
| 29 | Mahavir Companies PLC | 429 |
| 30 | Ministry of Company | 306 |
| 31 | Ministry of Public Enterprise | 275 |
| 32 | Muya Ethiopia PLC | 246 |
| 33 | Nazareth Garment PLC | 1,275 |
| 34 | New Wide Garment (Ethiopian Branch) | 491 |
| 35 | Novastar Garment PLC | 620 |
| 36 | Sabahar Textile PLC | 75 |
| 37 | Shints ETP Garment PLC | 1900 |
| 38 | Shuanji Textile PLC | 350 |
| 39 | Textile Company and Development Institute | 318 |
| 40 | Ting-Ting Garment PLC | 28 |
| 41 | Trios Craft PLC | 53 |
| 42 | Vestis Garment PLC | 1100 |
| 43 | Village Garment PLC | 102 |
| 44 | Wossi Garment PLC | 37 |
| 45 | Yirgalem Addis Textile PLC | 675 |
| 46 | Yonis Garment PLC | 114 |

## Appendix III:

Budget breakdown

In order to conduct the research the following budget breakdown is taken into consideration. Source of budget is from own.

Budget Requirement

1. Stationary – 2 pad is enough to collect questionnaire and to complete the write up (birr 400).
2. Transport – On average the researcher will travel a total of 3,320km throughout the country to refer books in a library, to get internet service for reference and to print and bind materials, to distribute and collect questionnaire in the country (birr 2 per km is expected and a total of birr 6,640 is supposed to be funded).
3. There will be 30 respondents per textile and garment company and the numbers of textile and garment producers that engage in the research process are expected to be 6. Therefore a total of 180 respondents will be expected to answer the questionnaire.
4. Internet service – During the research time the researcher uses internet for reference purpose and to access data (birr 200 throughout the year).
5. Laptop Computer – Computer is important to process all the data and to wind up the write up by the researcher (birr 10,000).
6. Flash – This is also important to transfer data from one computer to another computer rather than carrying the computer (laptop) and move around. Therefore the researcher needs to have two flashes in case one gets damage data will be gathered by the other (birr 400).
7. Pen – Every datum is recorded or written using pen. Therefore, 12 pen are needed throughout the year i.e. one pen per month is enough (birr 60).
8. Printing – the research paper needs to be printed at interval to be evaluated and commented by the instructor to take correction (8 printouts at different time (total 70 pages, 1 birr per page and total birr 560).
9. Binding – Finally the research document has to be fastened and submitted to the instructor (birr 10 per document and total birr 80).

Table 1: Budget Requirement during the research time 2010 E.C (a year) in birr

| No. | Item | Unit | Amount | Unit Price | Total Price | Remark |
|---|---|---|---|---|---|---|
| 1 | Stationary | parcel | 2 | 200.00 | 400.00 | |
| 2 | Transport | km | 3,320 | 2 | 6,640.00 | |
| 3 | Respondents | No. | 6 | 30.00 | 180.00 | |
| 4 | Internet | min | 1,000 | 0.2 | 200.00 | |
| 7 | Laptop Computer | No. | 1 | 10,000 | 10,000.00 | |
| 8 | Flash | No. | 2 | 200 | 400.00 | |
| 9 | Pen | No. | 12 | 5 | 60.00 | |
| 5 | Printing | page | 560 | 1.00 | 560.00 | |
| 6 | Binding | Doc. | 8 | 10 | 80.00 | |
| Total Budget | | | | | **18,520** | |

**Assumptions**

1. The researcher assumes current inflation rate on products and services to increase by 15% during the research time.
2. The time available to process and accomplish the research is assumed to be one year from November to June 2010E.C and the research proposal will be done within the time frame.
3. The researcher will maintain his/her endurance and successfully accomplish the research.

Table 2: Monthly Plan of Action or Work plan for the year 2010 E.C

| No | Type of Work | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Identifying the problem | √ | | | | | | | |
| 2 | Problem formulation | √ | | | | | | | |
| 3 | Title of the problem | √ | | | | | | | |
| 4 | Background of the Study | √ | | | | | | | |
| 5 | Statement of the problem | √ | | | | | | | |
| 6 | Objective | √ | | | | | | | |
| | 6.1 General Objective | √ | | | | | | | |
| | 6.2 Specific Objective | √ | | | | | | | |
| 7 | Significance of the study | √ | | | | | | | |
| 8 | Scope of the study | √ | | | | | | | |
| 9 | Limitation | √ | | | | | | | |
| 10 | Theoretical Framework | | √ | | | | | | |
| 11 | Related Literature | | √ | | | | | | |
| | 11.1 Theoretical | | √ | | | | | | |
| | 11.2 Empirical | | √ | | | | | | |
| 12 | Methodology | | √ | | | | | | |
| | 12.1 Data Collection | | √ | | | | | | |
| 13 | References | √ | √ | √ | √ | √ | √ | √ | √ |
| 14 | Budget Breakdown | √ | | | | | | | |
| 15 | Work plan | √ | | | | | | | |
| 16 | Stationary | √ | √ | √ | √ | √ | √ | √ | √ |
| 17 | Transport | | √ | √ | √ | √ | √ | √ | √ |
| 18 | Questionnaire distribution and Collection | | √ | | | | | | |
| 19 | Internet usage | √ | √ | √ | √ | √ | √ | √ | √ |
| 20 | Laptop computer | √ | | | | | | | |
| 21 | Flash | √ | | | | √ | | | |
| 22 | Pen | √ | √ | √ | √ | √ | √ | √ | √ |
| 23 | Binding | √ | √ | √ | √ | √ | √ | √ | √ |
| 24 | Printing | √ | √ | √ | √ | √ | √ | √ | √ |
| 25 | Handover the Final Thesis | | | | | | | | √ |

# Appendix IV:

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| The Textile and Garment firm has better knowledge of the export market | 133.34 | 435.661 | .436 | . | .921 |
| The Textile and Garment firm knows the cultural values of foreign countries | 133.37 | 435.419 | .443 | . | .921 |
| The Textile and Garment firm understands the behaviour of customers' perception of the product in the importing countries | 133.34 | 432.778 | .524 | . | .920 |
| The Textile and Garment firm has adequate export product knowledge | 133.53 | 428.380 | .599 | . | .919 |
| The Textile and Garment firm understands the demand for the product in the export market | 133.87 | 429.917 | .569 | . | .920 |
| Management has regular meeting to enhance the export performance of the firm | 133.85 | 433.773 | .467 | . | .921 |
| Management has better communication with the outside world with respect to textile and garment | 134.20 | 433.031 | .476 | . | .920 |
| Management controls each and every activity of the export product | 134.56 | 426.508 | .482 | . | .920 |
| Management finds solution to problems associated with the export market | 134.45 | 421.434 | .548 | . | .920 |
| Management has better understanding and easy communication with the work force in the firm | 134.04 | 421.265 | .603 | . | .919 |
| The existing textile and garment technology performs well | 134.07 | 421.113 | .598 | . | .919 |
| The existing textile and garment technology has longer down time | 134.14 | 424.263 | .575 | . | .919 |
| The existing textile and garment technology produces under attainable capacity | 134.23 | 442.033 | .269 | . | .922 |
| The existing textile and garment technology lacks spare parts | 133.99 | 440.376 | .271 | . | .923 |
| The existing textile and garment technology power consumption is high | 134.03 | 435.226 | .391 | . | .921 |
| The existing textile and garment firm produces export standard product | 134.11 | 436.565 | .384 | . | .921 |

| | | | | | |
|---|---|---|---|---|---|
| The existing textile and garment firm has shorter delivery time reaching the world market | 134.17 | 438.376 | .342 | . | .922 |
| The existing textile and garment firm utilizes quality raw material | 134.34 | 433.343 | .411 | . | .921 |
| The existing textile and garment firm has positive feedback from foreign customers towards its product quality | 134.12 | 436.936 | .374 | . | .921 |
| The existing textile and garment firm gives special attention to product quality | 134.12 | 439.500 | .348 | . | .922 |
| The textile and garment firm performs under comfortable working environment | 134.10 | 441.882 | .315 | . | .922 |
| The textile and garment firm delivers its product to Djibouti port or any outlet in time | 133.55 | 429.174 | .605 | . | .919 |
| The textile and garment firm has easy access to the main gates of export market | 134.16 | 435.015 | .453 | . | .921 |
| The textile and garment firm has easy access to raw materials with respect to transport | 133.99 | 442.922 | .226 | . | .923 |
| The textile and garment firm has infrastructure development with respect to store, warehouse | 134.11 | 438.447 | .369 | . | .921 |
| Policy and Regulation of the country towards the export market is conducive | 133.53 | 430.759 | .587 | . | .919 |
| Policy of tax and regulation of tariffs gives much support to the textile and garment firm | 133.28 | 445.799 | .204 | . | .923 |
| Textile and garment policy of the country creates special benefit to the firms under question | 133.19 | 448.880 | .117 | . | .924 |
| Loan policy of Banks support and treats specially textile and garment exporters | 133.34 | 435.661 | .436 | . | .921 |
| Import Policy of the country encourages textile and garment exporters to introduce new technologies, dye items, and spare parts | 133.37 | 435.419 | .443 | . | .921 |
| Textile and Garment Export performance will be affected by export market knowledge. | 133.34 | 432.778 | .524 | . | .920 |
| Textile and Garment Export performance will be affected by management competence. | 133.53 | 428.380 | .599 | . | .919 |
| Textile and Garment Export performance will be affected by technology. | 133.87 | 429.917 | .569 | . | .920 |
| Textile and Garment Export performance will be affected by product quality. | 133.85 | 433.773 | .467 | . | .921 |
| Textile and Garment Export performance will be affected by infrastructure. | 134.20 | 433.031 | .476 | . | .920 |

| | | | | | |
|---|---|---|---|---|---|
| Textile and Garment Export performance will be affected by policy and regulation. | 134.56 | 426.508 | .482 | . | .920 |
| Textile and Garment Export performance contributes to the growth of the national economy (gross national product). | 134.45 | 421.434 | .548 | . | .920 |
| Textile and Garment Export performance contributes to the foreign currency earnings of the country. | 134.04 | 421.265 | .603 | . | .919 |
| Textile and Garment Export performance contributes to enhance employment opportunity. | 134.07 | 421.113 | .598 | . | .919 |
| Textile and Garment Export performance contributes to enhancement of investment activities in the country. | 134.14 | 424.263 | .575 | . | .919 |