



**THE RELATIONSHIP BETWEEN ENTREPRENEURIAL ORIENTATION AND
EXPORT PERFORMANCE OF LEATHER AND LEATHER PRODUCT INDUSTRIES
IN ETHIOPIA: THE MEDIATING ROLE OF EXPLORATORY AND EXPLOITATIVE
INNOVATION CAPABILITIES**

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**The Relationship between Entrepreneurial Orientation and Export Performance of
Leather and Leather Product Industries in Ethiopia: The Mediating role of Exploratory
and Exploitative innovation capabilities**

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Science in Management specialization in Quality Management and Organizational
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Declaration

I, Fasika Libay, hereby declare that this thesis entitled “**The Relationship between Entrepreneurial Orientation and Export Performance of Leather and Leather Product Industries in Ethiopia: The Mediating Role of Exploratory and Exploitative Innovation Capabilities**” submitted by me, for the award of the *Degree of Masters of Science in Management; with a specialization in Quality Management and Organizational Excellence*, is my original work and it has never been presented in any university. All sources and materials used in this thesis have been appropriately acknowledged.

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ABSTRACT

This study investigated the mediating role of Exploratory Innovative Capability (ICER) and Exploitative Innovative Capability (ICET) in the relationship between Entrepreneurial Orientation (EO) and Export Performance (EP) of leather and leather product industries in Addis Ababa. The research followed cross-sectional explanatory research design, quantitative approach, survey method and questionnaire was used as data collection instrument. The study employed exploratory factor analysis (EFA) through principal component analysis and structural equation modeling (SEM) to validate study results. 10 exporting industries out of 25 were selected purposively to represent different industries and geographical locations. To represent tanneries, shoe factories and other leather product industries, a proportional stratified sampling was used and respondents of 251 were selected randomly. 188 usable responses were collected. The analysis result showed EO has a direct and indirect effect on the outcome variable. The finding signposts ICER and ICET has a complimentary and competitive mediation role, respectively. Moreover, second order variables maintained a significant association with EO. Finally, the independent analysis indicated EO dimensions has a positive and significant relationship with EP except autonomy. The research concludes leather and leather product industries in Addis Ababa shall primarily focus on ICER and then on ICET.

Key words: Entrepreneurial Orientation, exploratory innovation capability, exploitative innovation capability, leather and leather products industry

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LIST OF ABBREVIATIONS/ACRONYMS

AMOS - Analysis of Moment Structures

AVE - Average Variance Extracted

CSA - Central Statistics Agency

EFA - Exploratory Factor Analysis

EO - Entrepreneurial Orientation

EP – Export Performance

ERIC – Exploratory innovation capability

ETIC – Exploitative innovation capability

IC – Innovation Capability

LIDI – Leather Industries Development Institute

OLC - organizational learning capability

PCA – Principal component analysis

PCFI - Parsimony Fit Indices

PROCOM – proactiveness and competitive aggressiveness

SEM - Structural Equation Modeling

SPSS - Statistical Package for Social Science

VIF - Variance Inflation Factor Analysis



CHAPTER ONE

INTRODUCTION

The first chapter of this thesis deals with the introductory part of the study and it includes the following sections: background about the study, statement of the problem, research question and objectives, definition of terms, scope of the study, limitation, significance and organization of the paper.

1.1 Background of the study

In this ever increasing period of globalization, competing in the international market, where companies face very tough and intense competition from international rivals all over the world, needs planning and acting to the best capacity from companies (Morgan et al., 2006; Etemad, 2005). International Firm's survival and successfulness is highly related to their understanding and action of the determinants that influence export performance, which helps them to become prepared for new and dynamic challenges of the market. (Rojas et al., 2013)

Entrepreneurial orientation (EO) illustrates the company's entrepreneurial practices related to improving the company's success in terms of market penetration, creativity and new market entry. EO alone does not show the actual interest of companies in entrepreneurial activities, but merely demonstrates their ability to do so. However, it is well accepted instrument to see how firms are inclining towards entrepreneurship (Wiklund, 1999).

Entrepreneurial businesses are highly interested in innovation in the product market.. Such firms are not afraid of undertaking risky ventures. In addition, they are the first to establish proactive technologies in advance of their rivals (Miller, 1983). Lumpkin and des (1996) indicated the value of taking into account the five dimensions of Entrepreneurial Orientation (EO) which consists the five dimensions; Namely innovativeness, proactiveness risk taking, autonomy and competitive aggressiveness, as a multi-dimensional concept and proposed a framework to explore the relationship EO has with performance. The capacity of organizations to innovate in the face of uncertainty and optimistic posture will clarify the decision of the company to seek foreign business opportunities (Balabanis et al., 2004). In addition to being entrepreneurial oriented, firms also need to develop a potential to innovate and continuously transform ideas in to new processes, product and system. These firms integrate main capabilities and resources of their organization to bring

about innovation. These innovation capabilities are higher order capabilities since several capabilities are shaped and controlled (Lawson & Samson, 2001).

Unless firms constantly seek new opportunities and new way of doing business; these days, product and business model life cycles are shortened; existing operations cannot ascertain future profits. Performance of Firms which tend to demonstrate entrepreneurial orientation was seen to be better in different studies. (Hamel, 2001; Wiklund & Shepherd, 2005; and Covin, and Zahra, 1995). In the contrary, other researches argued this idea by questioning if there is any relationship between EO and performance. They also expanded this to suggest that the business strategy mode of the organization would lead to poor results (Hart, 1992; Smart & Conant, 1994).

According to the leather dictionary, Leather and leather product Industries are industries engaged in producing finished leather and those which then process the leather in to ready-for-use articles. Industries which are included under this are the shoe manufacturers, glove manufacturers, clothing and other goods manufacturers.

In Ethiopia's manufacturing sector, the leather industry comes as the leading exporter accounting for, on the average, up to 67% of the total manufactured exports. As stated in the National green export of Ethiopia (2018), the leather sector is identified as one of the potential sectors that could play a crucial role in achieving long-run policy objectives; development of a country by increasing its foreign currency earning and expanding employment opportunities and attracting foreign direct investment (Haymanot et al., 2018). The relationship between EO in general and the various dimensions of EO and export performance of the Ethiopian leather and leather products industries will be discussed in this report. In addition, the study will investigate whether exploratory and exploitative innovation mediate the relationship between EO and EP, which demonstrates the actual entrepreneurial behaviors.

1.2 Statement of the problem

In the era of globalization and in this stiff and dynamic competition, market industries need to increase their performance to survive and stay competitive in the business. Strategic orientation of firms, acquiring specific entrepreneurial features of decision-making practices, styles and methods is one of the ways of defining Entrepreneurial orientation. It also refers to the practices and decision-making processes that result in new entrants.

The dimensions of entrepreneurial orientation, which include innovation, proactiveness, risk-taking, autonomy and an aggressive approach, all work together to improve the organization's entrepreneurial performance. (Shoghi & Safieepoor, 2013). In addition to this, different studies have attempted to explain firms' performance by investigating its relationship with entrepreneurial orientation (Lumpkin & Dess, 1996; Miller, 1983). The central argument of Lumpkin and Dess (1996), Rauch et al. (2009), was that firms benefit from adopting an EO. The EO principle was shown to have an additive impact on results in favor of the Universalist view.

In this unsettled business, where continues creation of new things is becoming a necessity not a choice, in order to be resilient to the dynamic changes that arise in the external world, companies need to adapt by innovating, taking chances, becoming self-directed, competitive and actively competing in order to remain in competition (Naman & Slevin, 1993). However, in various research, the relationship between entrepreneurial orientation (EO) and performance shows distinct results. Some studies show that EO has a powerful positive performance impact. In particular, it plays a major role for new ventures to perform better than their rivals and boost their performance (Ireland et al, 2003).

Jantunen et al. (2005), investigate EO and dynamic capacities relationship to international performance and found that both EO and DC had a positive relation to performance. In addition to this Swierczek and Ha (2003), found that entrepreneurial efforts and unique resources were connected to firm performance. According to these studies the more Entrepreneurial oriented the firm is the higher the performance will be.

Although EO is considered to have a positive relationship with export intensity in many studies, Opposing this, others scholars demonstrate a less significant relationship of EO with performance. These studies have shown that there are some argumentative results about why some businesses have shown low export intensity while their executives have a strong EO attitude (George et al., 2001; Jones and Dimitratos, 2004). Wiklund and shepherd (2011), had recognized that EO requires significant amount of resource and that it might not be always beneficial for small firms, which has usually limited resources. However, Wales et al. (2013), argued that if these small firms has ICT and network capability they could benefit from EO.

The study by Monteiro et al. (2017), examined the relationships between entrepreneurial orientation and export performance, plus the mediating impact of dynamic capabilities and organizational resources. They found that entrepreneurial orientation enhances the attraction of organizational resources thus affecting export performance through dynamic capabilities. The mediation of organizational resource is done using Baron and Kenny's three step segmentation approach.

In addition to this, Concluding that EO alone might not be able to give the outcome which it intend to give, Fernandez & Alegre (2015) suggested a model that involves organizational learning capacity (OLC) and innovation success as a mediator; taking the studies which clam that both have close connection to EO (Blackburn & Kovalainen, 2009; Ireland & Webb, 2007; Cope, 2003). Even though the study found out that including OLC and innovation performance as a mediator helped to fully benefit from EO, since the study was done on a single company it has a great limitation for generalization.

The researcher argued that a broader mediator review and a general and independent study of the effect of EO on EP on the Ethiopian leather and leather products industry (by taking all the dimensions individually) are required. In doing so, Exploratory and exploitative innovative capabilities have been introduced as a mediator. Entrepreneurial orientation and actual new and incremental innovations are inextricably linked and form a unified whole. If businesses continue to ignore them, they will be outpaced by competitors. (Freiling et al, 2014). Monteiro and Rua (2019), had also suggested that future studies should focus on mediating variables so that to bring a better result on the direct, indirect and total effects concerning export performance.

For firms to stay on the international competition being entrepreneurial oriented plays a major role as stated above in different researches, even if there are some paradoxes. This paper focused on the tendency, strategic position and knowledge of the relationship firm (entrepreneurial orientation), with the export performance of the leather and leather products industry; that play a vital role in generating hard currency and creating job opportunities, generally in a country's growth. However, the mediating role of the actual innovative capabilities (exploratory and exploitation innovations), which is the implementation and outcomes of innovative activities will also be examined to practically see its impact on the connection between EO and EP.

So far, Ethiopia's vast livestock resource has not been fully utilized. The industries have not progressed to the level of full-fledged manufacturing (UNIDO, 2012). Furthermore, the industry requires EO and innovation throughout its entire process, from slaughter to final production. Adem's (2019). Entrepreneurial orientation in this industry requires special attention due to the lengthy stages required to reach the international market, which can jeopardize a firm's competitiveness.

More than 80% of sheep, goats, and cattle are traditionally slaughtered in the backyard; unless some entrepreneurial and innovative element is added to the issue, it creates a huge problem for the leather industries, as it has caused and continues to cause high rejection of hides and skins delivered to the industry (Jakob, 2012). In other words, 60 percent of the working capital of the leather industry, which is spent on the procurement of hides and skins, is bargained away, reducing firms' capacity (Girum & Florian, 2013).

In addition to drawing on the findings of other studies on the impact of EO on performance, the specific study, entrepreneurial orientation's contribution to the Ethiopian leather and leather product industry, and the mediating role of ICER & ICET between EO and EP, which the researcher believes has not been addressed, will contribute to improved export performance in the industry.

1.3 Research question

The following research questions are expected to be answered in this thesis

1. What is the effect of Entrepreneurial orientation on export performance of leather and leather product industries in Ethiopia
2. What is the effect of entrepreneurial orientation dimensions' (innovativeness, proactiveness, risk taking, autonomy and competitive aggressiveness) on export performance of leather and leather products in Ethiopia?
3. Does exploratory innovation mediate the relationship between entrepreneurial orientation and export performance of leather and leather products in Ethiopia?
4. Does exploitative innovation mediate the relationship between entrepreneurial orientation and export performance of leather and leather products in Ethiopia?
5. Does entrepreneurial orientation elements make up the latent variable?

1.4 Objective of the study

1.4.1 General objective

The general objective of this thesis is to assess the effect of Entrepreneurial Orientation on export performance of leather and leather product industries in Ethiopia and the mediating role of Exploratory and Exploitative innovation capabilities. In addition to this, to suggest possible policy actions for the improvement of export performance

1.4.2 Specific objectives

- To examine the effect of entrepreneurial orientation on export performance
- To investigate the effect of the five entrepreneurial orientation dimensions (Autonomy, Competitive aggressiveness, Innovativeness, Proactiveness and Risk taking) on export performance of the Ethiopian leather and leather product industries.
- To examine if EO dimensions would make up the latent construct.
- To examine the mediating role of exploratory and exploitative innovative Capabilities between entrepreneurial Orientation and Export Performance
- To recommend solutions that can help improve export performance of the industry.

1.5 Scope of the study

The relationship entrepreneurial orientation has with export performance would have been good if the research included industries found in all over the country. However, because of the geographical dispersion of the industries; shortage of time and financial constraints; it is difficult to do with such scope. Therefore, the area of study is limited to selected leather and leather product industries operating in Addis Ababa.

For this study, 10 leather and leather product industries were surveyed. Entrepreneurial orientation was taken as independent variable; exploratory and exploitative Innovative capability as a mediating variable and export performance was taken as dependent variable. The variables which are not listed in this research are assumed to have minor or insignificant impact on export performance of the leather industry.

1.6 Significance/Contribution of the Study

For socio-economic development of any country, a strong Industrial base is necessary; specially to increase export performance. According to CSI (2019) Ethiopia's trade deficit amounted to around 12.78 billion U.S. dollars. For a country like Ethiopia, which has a high demand of importing goods, focusing on how to increase export performance is indisputable.

Understanding the relationship entrepreneurial orientation has with export performance is relevant for firms, policy makers, researchers aiming to contribute to firms' competitiveness, export performance and in general decision making process of the country. Therefore, thesis will also give chance for others who are interested to know about the Ethiopia leather and leather product industries export performance and make further studies on the subject and this may add something of value to the existing body of knowledge related to the industry. Theoretical this thesis will serve as a reference material for following research activities on entrepreneurial orientation, exploitative and exploratory innovative capabilities and export performance.

1.7 Limitation of the study

Difficult geographical location of the industries and the political condition of the country were some of the limitations. In addition to these, the current pandemic (COVID 19) made the data collection process difficult, since the case in Addis Ababa is increasing in a quick rate and companies preferred closing their door for outsiders. In addition, availability of up to date literature in the context of leather and leather products industry and willingness to give information (the bureaucracy), as in the case of most industries, was another limitation. By defining the scope of the thesis properly, the researcher tried to reduce the effect of the limitations.

1.8 Definition of terms

Firm international performance – firm export performance

Leather and leather products industry- according to the leather dictionary, in the widest sense, the "leather industry" also includes the companies which then process the skins into ready-for-use articles. These include the shoe manufacturers, clothing and other goods manufacturers and glove manufacturers.

Hide – it is the outer cover of a fully grown bovine, camel or other domestic or wild animal of a larger kind.

Skin - the outer covering of a goat and sheep.

Leather tanning - is the process of converting hides and skins into leather

Livestock – is a farm animal which is regarded as an asset.

1.9 Organization of the paper

The next chapter, Chapter two, discusses theories related to Entrepreneurial Orientation, exploitative and exploratory Innovative Capabilities and export performance. It reviewed related literature about the area of study to show the gap and how the thesis supplements the work that already has been done on the topic. The theoretical review and empirical evidences has been discussed and hypothesis of the study was presented and finally conceptual framework is drawn from the literature review.

The research design, sample and sampling techniques, types and source of data analysis were included in chapter three. Results and discussion are presented in chapter four. Finally in chapter five the main findings of the paper was presented with the researcher's recommendation.

CHAPTER TWO

LITERATURE REVIEW

In order to be informed about the existing knowledge in the subject area and strengthen the research outputs, the literature review portion of this study examines relevant hypotheses, empirical reviews, studies and journals of other researchers and scholars that are done in the area of entrepreneurial orientation, innovative capabilities and export performance. Based on the research objectives, various views of different researchers and their findings are raised. The researcher's views are mirrored, critiqued and combined.

2.1 Theoretical literature review

2.1.1 Entrepreneurial orientation

According to Shane and Venkataraman (2000), entrepreneurship was taken to be the pursuit of opportunity and EO as the dimensions of entrepreneurial behavior along which opportunity is pursued. Miller (1983), who was the first to propose the idea of Entrepreneurial Orientation, included three dimensions. These were innovativeness, proactiveness and risk taking. Firms which participate in proactive product innovation, undertaking risky ventures ahead of competitors are entrepreneurial firms. According to Miller (1983), Entrepreneurial firms are well known for accepting risks proactively innovate and outsmart competitors. In addition to the three dimensions, competitive aggressiveness and Autonomy were also added by Lumpkin and Dess (1996). As said by Lumpkin and Dess (1996), Entrepreneurial orientation is the dimension of an entrepreneurial process or behavior in which opportunity is pursued, which leads to the fundamental practice of entrepreneurship. Beginning of entrepreneurship as a firm behavior is demonstrated by the formation of EO constructs.

EO is said to push firms towards pursuing entrepreneurial activities. It influence the decision making style of companies and also affect their performance. The concept of EO and entrepreneurial activities are two different concepts. EO is a predecessor of entrepreneurial activity. However, it does not directly measure entrepreneurial behavior and their engagement in such behavior; rather, it shows firms tendency towards entrepreneurial activities. It reflects how firms operate instead of how they operates (Lumpkin & Dess, 1996; Zahra, 1991; Covin & Wales, 2011).

2.1.1.1 Innovativeness

Innovativeness is willingness and capability of firms to innovate and rejuvenate their market offerings. It is the tendency of following novel ideas, creative processes, and experimentation. Innovation reflects willingness to depart from existing practices or technologies and undertake beyond the current state of the art. It can be building on existing skill to create incremental improvements or radical innovations which is built on new skills that make existing skills obsolete. In both ways, innovativeness is aimed at developing new products, services, and processes. Therefore, firms with successful innovation enjoy higher performance than those that do not (Baker & Sinkula, 2009).

For a wealth to be created an existing market structures has to be interrupted by the introduction of new goods and services, which caused new firms to emerge. In this process, Schumpeter (1934), saw entrepreneur as an innovator who drove the evolution of the economy, while Miller and Friesen (1982), distinguished that entrepreneurial firms were characterized by their willingness to boldly and regularly innovate and take a risk in their product market strategies.

Innovativeness may take different forms, according to Lumpkin and Dess (1996), ranging from a willingness to try a new product line or experiment with a new advertising medium, to a careful work to gain and master the technological advantages and new goods that time desires.

2.1.1.2 Proactiveness

Proactiveness is the ability of organizations to foresee and act on potential consumer demands in a competitive position and it anticipates and acts on future opportunities rather than depending exclusively on current goods and services or responding to events after they are announced. Such organization are often either the first to enter new market to have a first-mover advantage against competitors, Lumpkin and Dess (1996), or “fast followers” that improve on the initial efforts of first movers. Proactive firms adopt an opportunity-seeking perspective in advance of shifting market demand. Exploitation of the first mover advantage in the market place, help firms to enjoy a better position to capture high returns.

According to Yeoh and Jeong (1995), proactiveness is of particular importance to export oriented small and medium enterprises in the developing world. Firms that proactively pursue export market information and activities often gain first-mover advantages. Ibeh and Young (2001), saw

two groups of exporters. The first one which is aggressive tends to act proactively in their search for opportunities. However, the second group of exporters act after the problem happened. They are conservative in taking proactive measures. Rather they react in looking of overseas market. Rauch (2000), on the one hand, indicated that a lack of proactiveness reduced the chances of firms to be successful. Stevenson and Jarillo (1990), linked export performance success with the tendency of firms to see foreign market as an opportunity

2.1.1.3 Risk taking

Firms must deal with several risks associated with exporting their products and services. The tendency of firms to cautiously engage in bold actions shows firm's willingness to take risks and those firms which performed better in their export mostly have risk taking tendency (Leko & Horvat, 2006)

Unlike different researches which showed that entrepreneurs reduce risks by planning and forecasting in order to reduce uncertainty, they are most of the time seen as chronic risk takers (Simon et al., 2000). Firm's decision to internationalize from inception and entrepreneurial orientation dimensions, proactiveness and risk taking has a positive relationship (Kropp et al., 2008 and Ellis, 2000).

2.1.1.4 Autonomy

The freedom an individual or team of individuals get in an organization to develop their entrepreneurial ideas and put the idea in to practical result is said to be Autonomy. It is an independent action by an individual or a group of individuals who concentrated on developing a business concept or a vision and taking it through to completion. In an organization that offers high autonomy, workers are given the independence required to bring a new idea to completion, unencumbered by the restraints of corporate bureaucracy. Organizational traditions hinder employee's effectiveness in creating and developing new ideas. Therefore, unless the status quo is changes, firms will not be effectively in their performance (Lumpkin & Dess 1996). The University of Minnesota libraries (2011), reviled that some large organizations encourage autonomy by empowering a division to make its own decisions, set its own objectives, and manage its own budgets.

2.1.1.5 Competitive aggressiveness

Highly performing firms do not try to avoid competitors rather they challenge their competitors directly with an intensity. These intense moves may include budgeting a high spending to maximizing their production capacity, quality, and price-cutting. Even though, aggressive moves help firms achieve high performance, too much aggressiveness can undermine an organization's success. Smaller firms which compete with larger rivals might lose the competition on the price war (Covin et al., 1990). In addition, a firm's chance of being invited to collaborative business efforts like, joint venturing and alliance, will be compromised when they establish a status for competitive aggressiveness. Collaboration is crucial in some sectors, as no one entity has the expertise and resources necessary to create and produce new products. Managers must remember competitive behavior that could kill prospects for potential cooperation (Lumpkin & Dess, 1996).

Competitive aggressiveness has been considered as a company's efforts to outperform its competitors directly and energetically and is characterized by reactions or responses to competitors' action as well as exploiting things in which the firm is better when compared to its competitors. Continuously analyzing the state of its rivals must be a challenge for businesses to recognize their competitors' vulnerability and come with their own strength. Hopefully, this would lead to more prospects for commercial advantage (Lumpkin & Dess 1996, 2001).

2.1.2 Innovation capability

Attempts to define innovation capability have overlapped with the theory of dynamic capabilities which goes with a set of specific and identifiable processes. In addition, the idea that capacity is linked to a company's renewal and success over time, particularly with changing markets, and the idea that a company needs to be versatile and change the services and products provided is part of the conceptualization of capacity for innovation. Innovation capability combines and orchestrates different resources of the organization in order to maintain fitness for external changes.

The definition given above overlaps with some of the concepts of dynamic innovations; however, innovation capability focuses more directly on the firm's ability to change its offerings, while dynamic capability sees environmental fitness as a sign of performance. Though different studies

revealed different definitions for ‘innovation capability’, there is a variability in descriptions of the term and this make a unified definition difficult (Saunila et al., 2012).

There are different perspectives about innovation capabilities and dynamic capabilities. Innovation capability as a dynamic capability (Helfat et al., 2009); dynamic capability as an outcome of innovation capabilities (Eisenhardt & Martin, 2000) and dynamic capability as a precondition for innovation capability (Rothaermel & Hess, 2007).

Different researchers had distinct types of category division for innovation capabilities. For instance, Lawson and Samson (2001), had divided innovation capabilities in to seven elements (vision, competence base, organizational intelligence, creativity, idea management, organizational structures, culture and climate, and management of technology). The different approaches and contexts from which innovation capabilities can be viewed may account for the ambiguity of definitions in the literature (Saunila et al., 2012).

2.1.2.1 Exploratory Innovation

Based on the relatedness and proximity to existing technologies, products, and services and their relatedness and proximity to existing customer/market segments innovation capabilities are classified in to two domains; Exploratory and Exploitative Innovation. Exploratory innovative capabilities are fundamental innovation capabilities. They are intended to meet the needs of new customers or emerging markets. New designs, searching for new markets, and working to develop new channels of distribution are some of the features of Exploratory Innovations. They also require new knowledge or departure from existing knowledge (Benner & Tushman, 2003; Abernathy & Clark, 1985).

Exploratory innovations are associated with searching for new things, discovering, and experimentation (March & James, 1991). When firms explore they cannot depend on existing familiar knowledge. Previous awareness could be an obstacle to the successful adoption and execution of business technologies in exploration. They have to move into unfamiliar territory when aiming at creating and commercializing radically new products, services, or business models that serve new customer needs or create new demands that encompasses a disturbance of existing competencies and linkage in the marker and then might create a high level of risk (Abernathy &

Clark, 1985). However, a number of advantages are linked to such innovations, including the generation of sales in new or emerging markets (Benner & Tushman, 2003), a price premium if the innovation suits the needs of consumers better than current goods or services, and even has a positive impact on the name, credibility and brands of the business (Salomo et al., 2008). After a firm once introduced an exploratory innovation to the market, it will move to a new trajectory and along this opportunities for improvement and refinement exist. Exploration will help the firm discover new competencies in a way that is difficult for rivals to imitate. Because their development and commercialization require a great amount of money, the payoff for exploratory innovation comes in the long run. Its high riskiness might even lead to organizational failure. It asks organizations to allocate their resources in projects which are risky and their outcome is unpredictable.

For exploratory innovations' competitive advantage to last for a longer time period substantial amount of resources in terms of financial and human capital need to be devoted during the innovation process so that to helps them not to be easily imitated. Those firms which avoid exploration, face product obsolescence (March & James, 1991).

2.1.2.2 Exploitative Innovation

Exploitative innovations are incremental innovations. They are built on and broaden existing knowledge and reinforce existing skills, improve established designs and processes, expand existing products and services structures. Creating and commercializing improved or renewed products and business models, increase the efficiency of existing distribution channels for the existing customers is the aim of Exploitative innovation processes. Exploitative innovation's returns are more predictable when compared to Exploratory. However, it is usually associated with normal profits only. Since exploitative innovations are often created and implemented at lower hierarchical levels, knowledge and skill of employees at lower level could be keys to success for such innovations (Bierly & Daly 2007; Benner & Tushman, 2003; Danneels, 2002; Abernathy & Clark, 1985). According to March (1991), if firms fail to exploit or if they did not give enough attention to exploitative innovation, they will suffer the cost of experimentation without gaining a return on their investment. Therefore, exploitation help firms get a positive, proximate and predictable results.

2.1.2.3 Exploratory vs. Exploitative capability

The innovativeness, proactiveness and risk-taking implied by Entrepreneurial orientation are tendency, strategic posture and the consciousness of firms. However, innovative capability (exploratory innovation and exploitation innovations) are the implementation and outcomes of innovative activities they are the actual behavior. They can be defined as processes that use specific inputs which could be transformed into innovative outcomes. Different researches have showed exploratory and exploitative innovations as discrete choices rather than endpoints of a continuum (Wong et al., 2004; Jansen et al., 2005).

According to March & James (1991), even though both exploitation and exploration are essential for long run adaptation, they are fundamentally incompatible. Both of them compete for organizational resources. The more resource we devote for one means the few resource we devote for the other. Uncertainty, for exploration mostly lead to failure but leads to a search for more exploration. However, there is always early success when implementing exploitation. Shapiro & Varian (1998) argued that even though the idea of finite resources for organization is generally true, some resources which we are using this time, like information and knowledge, could be said infinite. Organizations can access not only their resources but also resources in their external environment

Some researchers expected a trade of between exploration and exploitation because they compete for resources (Lavie et al., 2010), others took that exploratory and exploitative innovation can be pursued simultaneously at the organizational level (Bierly & Daly, 2007); (Cao et al., 2009). A competition for resources is not only between exploration and exploitation it is also between different exploratory innovations.

Since exploitative innovation are less resource intensive and profitability gains can occur even in the short run, firms may extend the lifecycle of their offerings (Morgan & Berthon, 2008). In addition to this, indirect performance effects can result from organizational learning and the increase of knowledge depth within the firm. Previous studies have produced conflicting results regarding both the direction and the magnitude of effects (Lavie et al., 2010).

Gupta, Smith & Shalley (2006), suggested that if there is scarce resources to pursue both exploitative and exploratory innovation capabilities, the two would become mutually exclusive. However, In order for firms to be successful they should develop both exploratory and exploitative capabilities contextually.

Returns from exploration are uncertain, often negative and attained over the long run, however exploitation generates more positive, close, and predictable returns (March & James, 1991; Özsomer et al., 2003). In researches has shown the impact of exploratory and exploitative innovations on performance of firms to be significant and positive (Bierly & Daly, 2007; (Cao et al., 2009). However, other reports showed insignificant or even negative relationships (Rothaermel & Alexandre, 2009; Amason et al., 2006). Drawbacks of each innovation type or their need for a specific internal and external environment to be successful might contribute to the conflicting results.

A research by Gupta et al. (2006), claims that it is possible for firms to have high levels of both exploratory innovation and exploitative innovation. This view proposed that one can complement the other and that they are not necessary mutually negating. The trade-off situation where exploration innovation exhibits exploitation and performance may suffer can be neutralized by taking places in complementary domains like technologies and markets, which do not necessarily compete for the same resource. Both exploratory and exploitative innovation can and will enhance firm's organizational knowledge (Cao et al., 2009).

2.1.3 Back ground of leather making

2.1.3.1 Leather making in the world

The world cattle inventory in 2018 was One billion head. India, Brazil and China took the rank from first to third. 63% of the world cattle are found in these three countries (Cook, 2019). In addition to this, the national sheep association and Department of agricultural technologists, in Greece, have estimated that there are around two billion sheep and goats (one billion sheep and over one billion goats) worldwide (Skapetas et al., 2016).

According to The Editors of Encyclopedia Britannica (2020), Leather making started when people wrapped themselves in dried animal pelts, before 7000 years. In ancient art, for the problem of the skin stiffness and rottenness ways of softening and preserving the hides were discovered. Drying

in the sun, soaked in water and dried over a fire, in addition to this, certain twigs, barks and leaves soaked with the hides in water helped to preserve skin and hides.

It took nearly a year to deliver a hide so that it could be delivered as leather, to different craftsmen and saddle makers. Power-driven machines that performed operations such as splitting, fleshing, and dehairing were introduced by the mid-nineteenth century. Later in the end of the 19th century, chemical tannage was introduced. Chemical tannage included the use of oak, chrome salts and other chemicals (Yimer, 2014). According to the study by UNIDO (2010) Leather is one of the most widely traded commodities in the world. The leather and leather products industry is one of the prominent role players in the world's economy, with an estimated global trade value of approximately US\$100 billion per year.

In the data by FAO, (n.d), above 50% of bovine hides and approximately 40% of sheep and goat skins, is processed into foot ware, the production of garments, travel goods and furniture takes the remaining shares. Meat market is highly related to the production of hide and leather. These markets are exogenous to the hides and skins production and leather markets.

2.1.3.2 The African leather industry

African countries livestock has 20% of the world cattle, sheep and goats, and they produce 14.9 % of world output of hides and skins. African tanning capacity and export of hide and skin has shown a decline in recent years when compared to other developing countries. However, Africa has shown a modest increase in share of world footwear production, when compared to developed countries. 73.3% of Import penetration by developing countries of the continents domestic leather footwear markets was observed (Ahmed, 2012).

According to the report by Agro-Industries and Sectorial Support Branch of the United Nations Industrial Development Organization, UNIDO evaluation group (2010), this gap between resources and production shows the considerable potential of the African leather industry. Many African countries need to reduce this gap for their economic and industrial development. It is also critical and an important market strategy. In addition to excellent renewable resource base, the industry is also labor intensive with the potential to be a major source of employment all along its supply chain.

2.1.3.3 Ethiopian leather industry

The manufacturing of leather is one of the aged industries in Ethiopia. Foreigners have started it, at industrial level, in the middle of the 1920s. Addis Ababa tannery, formerly known as 'Kokoda', which started production of leather with horse seat back, was the first tannery established in the country. The horse seat back was used as one of the elements in fighting against local wars (Berhanu, 2014).

According to FAO (2018), around 12.5 million households, of the total population of Ethiopia, depend fully or partly on cattle for their livelihoods. However, the production of skins and hides is of comparatively minor importance for the livelihood of farmers in comparison to the production of meat and dairy products. Skin and hides are seen as byproducts.

According to the Ethiopian leather industry development institute, LIDI (2017), Ethiopia has one of the world's largest livestock populations with around 58 million cattle (the largest in Africa and 6th in the world), 29 million sheep (3rd in Africa and 10th in the world) and 30 million goats (3rd in Africa and 8th in the world). Besides, the off-take rate is 14% for cows, 27% for goats and 40% for sheep.

It is not only the numerical advantage in livestock. For instance, Ethiopian goat and sheep skins are preferable to other countries' products in terms of quality. The sheep skins, are well known in the world to produce high quality leather due to their fine grain and compact structure. Sheep skin takes 50 % of the share of export and the rest for goat and cattle. 41, 7, 2 (for others). For this reason, a great number of leather producing companies in the world are attracted to Ethiopian skins and hides (Adem, 2019; Abadi, 2000).

The leather industries in Ethiopia produce a range of products including semi processed leather, in various forms, finished consumer goods of leather garments, stitched upholstery, shoe uppers, handbags, industrial gloves, school bags and finished leather (Cherkos, 2011). It has 62 large and formal enterprises: 21 tanneries, 23 shoe manufactures and 18 leather and leather goods industries (LIDI, 2020). In this study the effect of entrepreneurial orientation on export performance of the leather industry was assessed with the mediating effect of exploitative and exploratory innovative capability.

2.1.4 Export Performance

According to Modern instruments for measuring organizational performance, it is defined as a state of competitiveness which is reached through a level of efficiency and productivity that ensures a sustainable market presence. It is a progressive achievement of meaningful measurable goals which are tangible and specific. The authors believed that performance needs both effectiveness and productivity and that a performing organization is efficient, competitive and productive. He defined effectiveness as a means for doing what is planned in precision and efficiency as the extent to which objectives were achieved (Jakov & Ivan, 2012).

Performance management is one of the means of getting the best results out of firm's stakeholders by understanding and managing performance within an agreed framework of planned goals, standards and attributes competence requirements. The process is well known for establishing common understanding about what is to be achieved (Armstrong, 1994).

Export performance in a broader sense includes the combination of various factors such as, access to international markets, increasing the market share and the price competitiveness, diversifying the export goods and becoming a brand. It is an indicator of nations competitiveness in global markets is the relative success of a firm to sell domestically produced goods in other countries. Export performance of a firm reflects its capabilities in utilizing the resources in an international context (Aaby et al., 1989).

Cavusgi et al. (1994), defined export performance as the degree to which the firm completes its purposes by exporting its products-brands to external markets, containing economic or operational sides and strategic aspects. Strategic aspect might include international positioning, increased market share from exporting and achievement of objectives, through the planning and implementation of the firm's export marketing strategy. One of the key indicators of the success of a firms export operations is its export performance

Different authors consider performance as a complex, multidimensional phenomenon, which comprises three main dimensions: effectiveness (a measure of the firm's success, when compared to its competitors.), efficiency (outcome of a firm's policies, in comparison to the resources involved in its implementation,), and adaptiveness, how the firm successfully responds to the environmental changes (Katsikeas, 2000; Oliveira, 2012).

2.1.4.1 Ethiopian export performance

Given that Ethiopia has more than 90 years of experience in the leather industry and has a comparative advantage in it, because of the large livestock base the sector's export performance is far below its potential. According to Ethiopian Economic Commission's overview of the sector (2020), Export of leather which was US\$ 23 million in 2013 reaches US\$ 133 million in 2018. The Ethiopian government has put a 150% tax on export of raw hide and skin so that to boost export of value added products.

In the GTP II (from 2015 - 2020) leather sector export and employment target was USD 800 million and 59580 respectively. (EIC policy and strategy), However, this is unlikely to be met in the remaining months of 2020. When the hard currency brought by the leather industry is compared to the potential of the industry it is far below the plan and its potential. Only 16.6 % of the plan for export is fulfilled. The industry accounts for 19% of the GDP and generates 16–19% of the foreign exchange earnings of the country (Adem, 2019). Even though the industry accounts 67% of export, the average trade balance value of Ethiopia, from 2011-2018 was -17.15 percent (Neven et al., 2018).

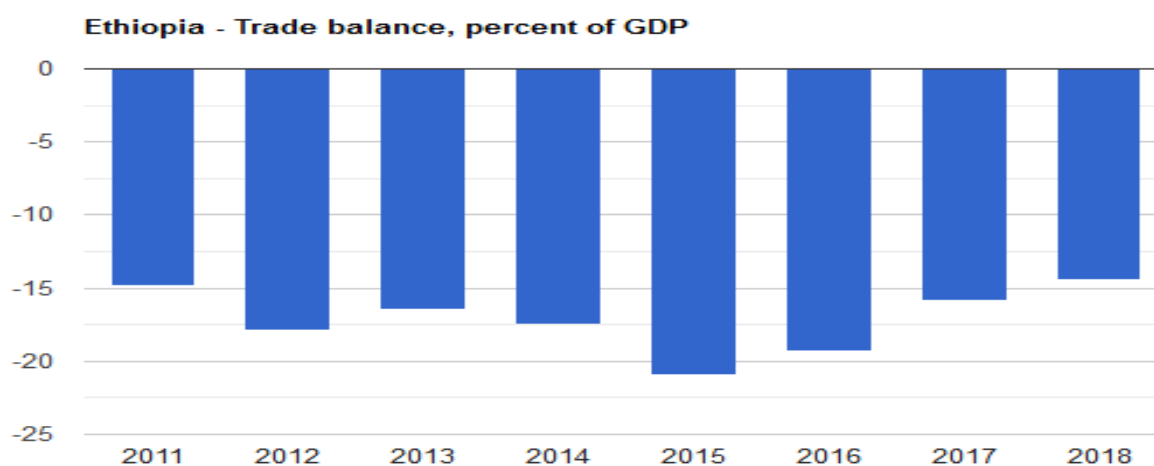


Fig. 2.1 World Bank data for Ethiopia from 2011 to 2018.

2.1.5 Production cost structure of the Ethiopian leather industry

According to Jakov & Ivan (2012), the Leather tanning is a capital and material inputs (raw hides, chemicals) intensive industry. The typical production cost structure of 50-70% raw hides,

Chemical constitutes 15% of the total cost of tanneries (UNIDO, 2012). In recent years, chemical inputs and other preservatives including salt had shown double increase in price, which are almost entirely imported (Girum & Florian, 2013), labor 7-15%, energy 3%, and environmental protection 2-5%, does not, however, justify neglecting the savings available from optimization of chemical usage and energy, and, in particular, from minimization of pollution treatment costs. The study by Girum & Florian (2013) also shares that 60% of working capital of tanneries is spent on the procurement of hides and skins. This could diminish the capacity of both the leather and leather products industry.

2.1.6 Potential and challenges of Leather and leather products industry and export

Even though the leather and leather products industry helps achieve foreign exchange for Ethiopia and generate employment, the contribution of this sector to the country's economy is not as expected, despite the large livestock population in Ethiopia. Many Ethiopian companies, especially in the finished goods sector, are shackled by low production capacity, sub-standard facilities and bad supply chain and inventory management. Labor, finance and international marketing practices are not up to international standards, for this reason, they had a difficulty competing in international markets. Leather garments and glove makers can be taken as a good example for this (Girum and Florian, 2013). If Ethiopia has to fully exploit its vast livestock resource, the leather sector need to be transformed to a full-fledged manufacturing stage, with integrated leather and leather product industries (UNIDO, 2012).

Adem (2019), the potential of the Ethiopian leather industry is because of the availability of raw material, the ready market, and the growing national and international markets for the industry. The author took uncontrolled skin diseases, mechanical defects, backyard slaughtering, and poor marketing systems as a serious challenge the industry faced in order for the industry to perform well in the export market. Absence of facilities for preservation and storage, illegal traders' participation, were also mentioned as challenges or constraints for the leather industry.

Adem has mentioned recommendations that should be applied by household heads, government and national and international organizations. These include frequent awareness-raising training; adequate veterinary services; immediate collection and marketing of hide and skin; proper methods of hide and skin preservation and fulfillment of slaughtering facilities by the government.

The factors listed in Adem's research were shared by Girum and Florian (2013), to explain the underperformance of the leather sector and especially its disappointing export performance. Girum took UNIDO's data that 90% of sheep and goats and 70% cattle slaughtering is carried out traditionally in the backyard (Jakov, 2012); which caused high rejection of hides and skins delivered to tanneries. The interview made by Girum Abebe and Florian Schaefer with the firms suggested that, even though Ethiopia is number one in Africa in its resources, they face acute shortages of raw hides and skins. This shortage made most firms to produce below their full capacity (Girum & Florian, 2013).

Tomas & Robel (2018), discussed the performance Measurement and Improvement Method for Leather Footwear Industries, which take a high percentage in the leather industry in Ethiopia, that though the progress of Ethiopian leather and footwear industry's performance is promising, still it is unsatisfactory. The journal took the comparison between Ethiopian industries and Chinese manufacturers as an indicator to show that the first requires a significant improvement. The authors compared the minutes needed to produce a shoe uppers in Ethiopia's and Chinese manufacturing which is 78 minutes and 30 minutes respectively.

Even though the paper accepted that the leather shoe factories have both internal and external factors that cause low performance and competitiveness, since the later needs participation of government, leather sector associations and organizations; their paper focused on the firm level problems like financial, operational, employee satisfaction, quality performance and customer satisfaction problems. These organizational performance problems can be solved by the use of a total performance improvement method which can have a balanced performance measures and management philosophy (Tomas & Robel, 2018).

2.2 Empirical review

Entrepreneurial orientation was studied by different scholars. Monteiro et al. (2017), evaluated the interaction entrepreneurial orientation has with export performance. The thesis examined the mediating effect of intangible resources and dynamic capabilities. The findings on the impact of entrepreneurial orientation on export performance was consistent with other studies (Lumpkin & Dess, 1996; Miller, 1983)

Entrepreneurial orientation, organizational resources, and dynamic capabilities all positively affected (directly and indirectly) export performance (Monteiro et al, 2017). This also agrees with the finding by Okpara (2009), which suggested that firms with high entrepreneurial orientation are more likely to exploit export opportunities. In addition innovativeness dimension of EO was associated with different performance indicators like profitability, sales volume, growth, and overall performance in the study. A stronger proactive orientation was also associated with export success for the firms and conservative strategies had the opposite effect;

The study by Mantok et al. (2019), found that the effects of entrepreneurial orientation on business performance are, in part, mediated by organizational learning. Moreover, from the few previous studies about export performance of leather, as far as the knowledge of the researcher, the one by Lisanework (2018), aimed to assess the main factors of export performance of the leather industry at sector level and essentially on external environment. The empirical results showed that importer's GDP, FDI and domestic infrastructure exert positive and significant impact on leather and leather products exports .GDP and infrastructure from Lisanework (2018) was shared by Awan (2013) who added population and regional trade agreements as the main determinants of leather exports.

By looking at the 17 years (2000-2016) Gorfu (2018), has stated that Ethiopia's export has been limited to few primary products, which are mainly agricultural commodities like coffee, chat, oil seed and pulses. He has shown that the percentage share of total leather and leather products export to total export had decreased from 9.9% in 2000 to 4.3 % in 2016. In addition to this, Ethiopia's export of leather and leather products is highly concentrated on few countries with limited diversification in number of products.

Grumiller & Raza (2019), has shown that the expansion and upgrading processes of the leather industry in Ethiopia is reflected in trade and employment data. The value of LLP exports increased from an average of USD 53 million between 1996 and 2000 to USD 135 million between 2013 and 2017 (UN, 2019). FDI companies, in the leather footwear and gloves sub-sectors, played a major role in recent export performance success. This time, leather exports including finished leather takes USD 86.1 billion in, 2017; leather footwear USD 38.5 billion and other leather products including glove took USD 7.6 billion. This empirical investigation of UNCTAD

secretariat into the determinants of export performance shows the light for the importance of both demand and supply-side factors. The study showed that trade barriers continue to be of significance.

2.3 Conceptual framework

In this part of the thesis, conceptual framework, in which the thesis was framed is established.

The following conceptual model is formulated to disclose the relationship between independent variable namely entrepreneurial orientation and dependent variable export performance with a mediating role of exploitative and exploratory innovative capability.

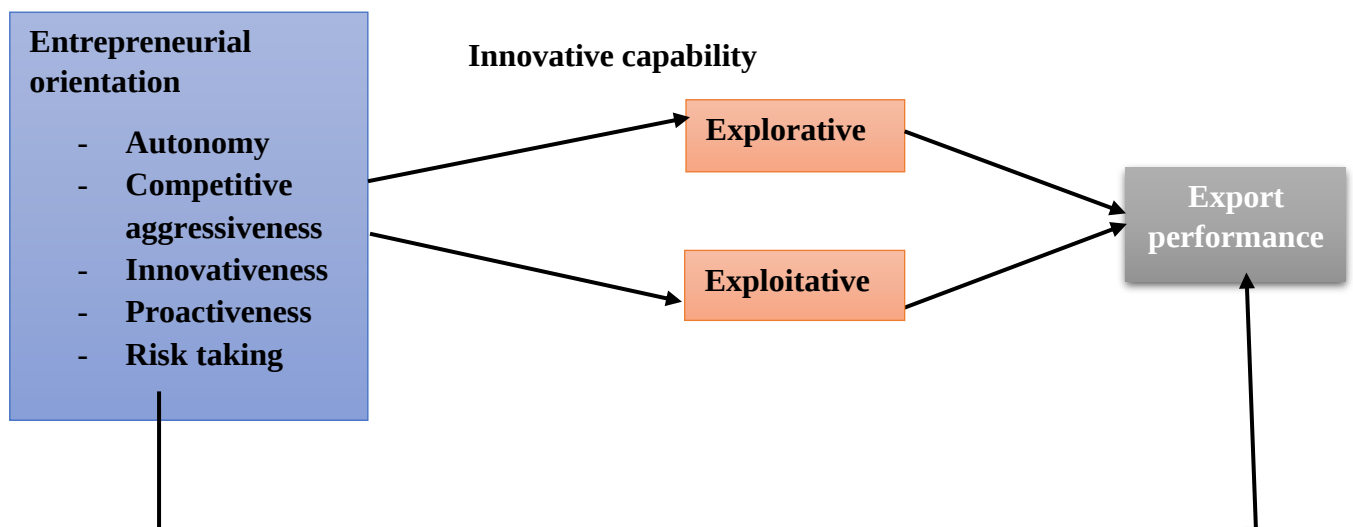


Fig 2.2 conceptual framework

Source: own modified illustration based on Lumpkin and Dess (1996) and Lubatkin et al. (2006)

2.4 Research hypothesis

The following main and sub hypothesis were tested in this research

Ha1: Entrepreneurial orientation has positive and significant effect on Export Performance

Ha.1.1: Autonomy has positive and significant effect on export performance

Ha.1.2: Competitive aggressiveness has positive and significant effect on export performance

Ha.1.3: Innovativeness has positive and significant effect on export performance

Ha.1.4: Proactiveness has positive and significant effect on export performance

Ha.1.5: Risk taking has positive and significant effect on export performance

Ha2: Innovation capability mediates the relationship between Entrepreneurial orientation and export performance

Ha2.1: Exploratory innovation capability mediates the relationship between Entrepreneurial orientation and export performance

Ha2.2: Exploitative innovation capability mediates the relationship between Entrepreneurial orientation and export performance.

Ha3: Entrepreneurial orientation is a second order factor of five elements

Ha3.1: Entrepreneurial orientation has positive and significant influence on autonomy

Ha3.2: Entrepreneurial orientation has positive and significant influence on competitive aggressiveness

Ha3.3: Entrepreneurial orientation has positive and significant influence on innovativeness

Ha 3.4: Entrepreneurial orientation has positive and significant influence on proactiveness

Ha3.5: Entrepreneurial orientation has positive and significant influence on risk taking

CHAPTER THREE

RESEARCH METHODOLOGY

Review of related literature on factors affecting export performance of leather industry has been presented in the previous chapter. This chapter describes the methodology which is used in this research and it focused on the research designs and why those designs were used; in addition to this the data collection procedures and software that were used are included.

3.1 Research Approach

There are four different types of research approaches. These are, Quantitative, Qualitative, Pragmatic (Mixed method) and Advocacy/participatory (emancipatory). The first one, Quantitative research, usually encompasses collection and conversion of data in to numerical form in order for statistical calculations to be made and conclusions drawn. It generalize results from a larger sample population by quantifying attitudes, opinions, behaviors, and other defined variables. In this type of research measurable data is used to formulate facts and uncover patterns. Quantitative method of data collection includes, online and paper surveys, face-to-face or telephone interviews, website interceptors, longitudinal studies, online polls, and systematic observations, etc. whereas, qualitative research uses textual form of data collection on the basis of observation and interaction with the participants. These includes participant observation, in-depth interviews and focus groups. The data collected using qualitative method will not be converted into numerical form and is not statistically analyzed.

Quantitative research is usually associated with the paradigm of positivist/post positivist. However, Qualitative research is the approach usually associated with the social constructivist paradigm which emphasizes the socially constructed nature of reality. When compared to qualitative data collection methods, which allows for greater flexibility, quantitative data collection methods are much more structured (Saunders et al, 2009).

While doing quantitative researches, since researchers rarely have access to all the members of a particular group, being able to make inferences about these larger group is expected. However while selecting a sample, it has to be a representative sample of the wider population. The number of people and their representativeness determines the extent to which generalization is possible. Since it is such an in-depth study qualitative research often involves a smaller number of

participants. Whereas, mixed research is a research that uses both qualitative and quantitative approach. Mixing these two approaches has an advantage enabling data, investigator, theory or methodological triangulation.

On the other hand, Advocacy/participatory research might involve interacting informally or even living amongst the research participants (sometimes referred to as co-researchers). It is important that researchers involve the group being studied in the research, preferably at all stages. The findings of the research is reported often using the precise words of the research participants (Bell et al., 2018).

In this research, the researcher used quantitative research approach for the conclusiveness purpose and nature of the industry being studied. Therefore, deductive approach (general to specific) is used. Hence, final conclusion was drawn from the sample selected to the larger population. Data (first-hand information) was generated by using 5 point Likert scale questioners. When designing the questionnaire emphasis was given to the arrangement in order not to influence people in how they answer/respond the later question. Different studies and reports about the leather industry both from inside and outside of the country were also consulted.

3.2 Research Design

According to Creswell (2009), Research Design refers to the whole framework for connecting the conceptual research problems with the attainable empirical research. It includes the procedures for collecting, analyzing, interpreting and reporting data in researches and how all of this is going to answer the research question. The choice of an appropriate research design depends upon the way the research question is stated; the objectives of the study; the available data sources; the cost of obtaining the data and the availability of time (Omaiir, 2015; Saunders et al., 2009).

The purpose of this thesis is to assess the relationship between Entrepreneurial Orientation and Export Performance of Ethiopian leather and leather product industries with the mediating role of Exploratory and Exploitative Innovation Capabilities, by using quantitative data. Therefore, based on the purpose of the research the researcher employed explanatory research designs; since it gives answers for the why and how type of questions in determining the relationship between EO and EP and also the mediating role of exploratory and exploitative innovation capabilities. It looks for causes and reasons and provides evidence to prove or disprove an explanation (Gray, 2014). It will

also assist the researcher in discovering and reporting relationships between various aspects of the study.

Based on the time frame there are two types of researches; a cross-sectional study, which compares different populations at a single point in time and longitudinal (long term) study. Since this thesis focuses on the current relationship that exist between entrepreneurial orientation and performance of Ethiopian leather and leather products industry, the researcher employed cross-sectional study.

3.3 Research method

The research method that was used is sample survey. Pretesting of the questionnaire was conducted before the questionnaire is distributed to the Respondents. Then the questionnaires were distributed in person to the selected leather and leather products industries and collected for further analysis.

3.4 Data source

Data sources could be grouped in two primary and secondary data. Information collected and processed directly by the researcher are among the primary data sources. This includes, observations, surveys, interviews, and focus groups. On the other hand, secondary data sources include data retrieved from prior sources. These includes, Internet, different research articles, journals, or library searches. The researchers used primary data source, which the researcher himself collected, for the analysis and discussion of the targeted objective (Hox & Boeijs, 2005).

3.5 Target population and sample design

The target population, in which we wish to make inference, are, as of 2019/2020, according to LIDI are 62 leather and leather products industries. Including, 21 tanneries; 18 leather goods industries and 23 footwear industries. Out of these 32 of them are found in Addis Ababa and 25 of them are involved in either direct or indirect export activities.

Since, the leather and leather products industry consisted of tanneries, shoes factories and other leather and leather products industry, in order to represent them all stratified sampling technique was used by dividing the population in to three strata. All the four exporting tanneries which are found in Addis Ababa were taken and from the remaining shoe factories and leather product industries based on their geographical location and willingness to cooperate (most of them closed

there door for out siderers because of the pandemic) 3 shoe factories and 3 other leather products were included. A total of 10 leather and leather product were included in this study. Then departments which directly or indirectly are involved in export were chosen and respondents were randomly selected to fill the questionnaires. The selected industries were; Batu tannery, Ethiopian tannery, Elico tannery, Walia tannery, Peacock shoe factory, Ramsay shoe factory, Tikur Abay shoe factory, Pittards, , Chiban leather products and Universal leather products were used.

industries	Total number of employee	Export related employees/ Percentage	Percentage within the firms (%)	Sample size	Total sample size	collected
Batu T.	359	60	21.35	22	103	73
Ethiopian T.	330	92	32.74	34		
Elico T.	691	81	28.82	30		
Walia T.	205	48	17.08	17		
	1585	281/41.32%				
Peacock	300	84	36.20	31	86	60
Ramsay	171	47	20.25	17		
Tikur Abay	558	101	43.53	38		
	1029	232/34.11%				
Pittards	120	68	40.71	25	62	55
Chiban	20	17	10.17	6		
Universal	223	82	49.10	31		
	363	167/24.55%				
total	5827	680			251	188

Table 3.1 Total population of selected leather and leather products in Ethiopia with the sample size

While using quantitative research approach, in most cases, random samples are preferred to give an equal chance of participating. The researchers has given equal chance after once the department which are related to export were selected, to properly address the research questions with

knowledgeable persons in the area. Therefore, a sample of 251 employees were taken by using random sampling method so that. Proper awareness was given to the respondents about the aim of this paper to minimize the non-respondents, those who might not tell the truth or give incomplete responses/unanswered item.

By using the simplified formula provided by Yaman (1967), which is written below sample size has been calculated.

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

Where: e^2 - Error rate (95% Confidence)

n- Required Sample Size

N-Target Population

The target population (N) for this study is 680. Therefore, the required sample size is calculated as

$$n = \frac{680}{1 + 680(0.05^2)}$$

Which gives a sample of 251

3.6 Method of data analysis

Primary data which was collected from managers and other employees from the leather and leather products industries who has a direct or indirect connection to export was analyzed using SPSS 26 and AMOS 23 soft wares. The analysis focused on the relationship Entrepreneurial orientation has with Export performance of the leather and leather product industries with a mediating role of exploitative and exploratory innovation capability. In addition to this, different charts and tables were used to analyze the relationship.

In the descriptive statistics description of the population through tables and explanations are presented. The relationship between variables and how independent variables explain dependent variable is discussed under inferential (statistical) analysis. The first uses only the immediate data collected to conclude. Whereas, the latter, unlike the first, uses beyond the immediate data to

predict about the population and reach to conclusion (Kothar, 2004). An inferential analysis with multiple regressions was used to examine the effect of independent variables on dependent variable.

The collected data was tested if it could satisfy multivariate assumption so that to check whether the data could be used for statistical analysis. Decision makers are interested in predictive research which may involve more than two variables and in predicting the value of a dependent variable on the basis of one or more independent variables. Unlike univariate analysis, multivariate analysis analyzes the simultaneous relationship among two or more variables or phenomena (Shukla, 2018)

Then factor analysis was done and finally the researcher run the data by using structural equation model (SEM), which is a well-known method to analyze survey data. SEM is a powerful multivariate technique. It differs from other modeling since it test the direct and indirect effect on pre-assumed relationship. Unlike path analysis, SEM uses latent variables to account for measurement error.

To validate measurement scale of constructs validity factor analysis was used for the measurement model and variables that passed this analysis test were then used to test the relationships between endogenous and exogenous variables using structural model analysis. (Hair et al, 2006).

3.7 Measurement scales

The scales used in this thesis were adopted from different researchers with modification from researchers consult with advisor.

No	scale	Number of items	source
1	<i>Entrepreneurial orientation</i>	15	Dess and Lumpkin's (2005)
2	Exploratory innovation	6	Lubatkin et al. (2006) and Janson et al. (2005), with modification from researcher's consult with advisor.
3	Exploitative Innovation	6	Lubatkin et al. (2006) and Janson et al. (2005), with modification from researcher's consult with advisor.
4	<i>Export performance</i>	6	Okpara (2009)

Table 3.2 Scales of all the variables

3.8 Reliability

According to Carmines and Zeller (1979) and Moser and Kalton (2007), reliability is concerned with the repeatability; stability and consistency of a measure; the proximity of the research finding if another study is done using the same research method. To assess reliability, researchers check the consistency of findings across different observers and time. In doing so, if the items of the scale stayed consistent and measure the same construct it is said to have high internal consistency reliability (Huck, 2007).

The internal consistency measuring instrument measures the extent to which items in a test are consistent among themselves and in addition to this, with the test as a whole. It is measured using three approaches. The first one, Kuder-Richardson coefficient, is more accurate than that of split half test, which is done by splitting a test of single knowledge area in two. However, Kuder-Richardson coefficient can only be completed on questions with only two answers. Nevertheless, the most commonly used test to determine the internal consistency of an instrument is Cronbach's

alpha test; which tests Instruments with questions that have more than two responses. As it is also reflected by Whitley (2002) and Robinson (2009), when using Likert scale, Cronbach's alpha coefficient is the most commonly used internal consistency measure.

The other reliability types include Stability (test retest), which is the consistency of a measure across time which assures if we will get the same result when we repeat the measurement; Equivalence and scorer reliability. Even though it is not possible to give an exact calculation of reliability, estimation of reliability can be achieved through the three attributers, namely homogeneity, stability and equivalence. As said by Neuman (2004), reliability in field research is often guaranteed by internal and external consistencies.

In this thesis, Homogeneity (internal consistency) is assessed using Cronbach's alpha, corrected item-total correlations and inter item correlation. Hinton et al (2004), Cronbach's alpha value of 0.9 and above is Excellent, between 0.7 and 0.9 show high reliability, 0.5 – 0.7 shows moderate reliability and 0.5 and below shows low reliability. Therefore, the Cronbach's Alpha value indicated that it is highly reliable ($>.80$). Hence, all variables are taken for further analysis. Even though there is no absolute rule for internal consistencies, most agree on minimum internal consistency coefficient of .70 (Whitley, 2002; Robinson, 2009). Whereas the second one is inter-item correlation and a value that exceed 0.8 for all pairs is not acceptable. This value assesses whether individual questionnaire questions produce consistent and appropriate results (Bernstein et al., 1994).

Two variables from proactiveness and risk taking (EOP2 and EOR3) were dropped because of their lower correlated item total correlation; 0.26 and 0.24 respectively. Corrected item-total correlations is the value that reveals the extent to which an item correlated with the other items, within a scale, is expected to be above or equal to 0.35 to be retained. The Remaining dimensions were taken for further analysis.

<i>Reliability Statistics</i>	
<i>Cronbach's Alpha</i>	<i>N of Items</i>
.93	31

Table 3.3 Cronbach's alpha value

Source: analysis of survey data using SPSS 26

3.9 Validity of Major Constructs

Wilson (2010) stated that unless it is combined with validity, reliability alone is not sufficient. Validity indicates the degree to which the instrument that we selected measure what it ought to measure. It is said to be the most critical criterion by researchers. The differences which are found in the measuring instrument reflects the actual differences among those being tested (Creswell 2009; Kothari 2004).

As stated in measurement of scales, to ensure validity of the instruments the scale for entrepreneurial orientations was adopted from Dess and Lumpkin's (2005) and the mediating variables, Exploitative and exploratory innovation scale from Lubatkin et al., (2006) and Janson et al., (2005) and with the consent with my advisor. Finally the scale for export performance which has six items was adopted from Okpara (2009).

To reduce the capacity of sampling error and increase questionnaire response rates pilot survey was carried out on 10 respondents and it was all acceptable. In addition to this, internal reliability was checked by using Cronbach's alpha coefficient. Since the acceptable level (>7) was achieved the final questionnaires were prepared and distributed to respondents Wilson (2010).

3.10 Ethical considerations

Research studies are built on trust between the researcher and the participant. Researchers have the responsibility to behave in a trust worthy manner. The two overriding rules, not harming participant and getting informed consent of participant are well respected in this thesis. Confidentiality which is one of the main things in ethical consideration was kept. All the responses of the participants are used confidentially. Respondents were informed about the aim of the research clearly and that their response will only be used for academic purpose. Identity and other personal related information was not written on the questionnaire and there was a genuine interpretation of the actual data collected from respondents.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

The purpose of this thesis is to examine the relationship entrepreneurial orientation has with export performance of the Ethiopian leather and leather products industry and the mediating role of exploratory and exploitative innovative capabilities.

In the previous two chapters, review of related literature and methodology used were discussed. In this chapter the data collected from respondents, using questionnaires, is presented, analyzed & interpreted to address the research questions and objectives; which are stated in chapter one. SPSS 26 and AMOS 23 software were used for analysis purpose. Detailed discussion on research hypothesis and similarity and differences of the findings with previous studies is also presented.

Non response bias, pilot testing of questionnaire, respondents profile, data quality, factor analysis, mediation effect of exploratory and exploitative innovation capabilities and findings of empirical results, respectively are included in this chapter

4.1 Non response bias and response rate of respondents

Researcher's fault, when estimating the population property based on a sample of survey data, in which, certain types of respondents are under-represented, due to non-response, is said to be non-response bias. When either of the two non-responses, namely Item non-response or unit non-response occurs it is said that bias occurred. Item non-responders might leave an item on a questionnaire blank, or responding, saying they don't know, to some questions while providing a valid response to other questions. Whereas, Unit non-response is a complete non-participation on the part in which the survey intend to include. Different techniques are available for using the partially completed responses returned from item non-responders to control for differences. If the entire units are missing from a sample no test or correction for bias is available without obtaining additional data Berg (2005). Though there was no item non response in the collected data, unit non-responses was observed due to different reasons.

For this research a total of 251 questionnaires were prepared and distributed for 10 leather and leather products industries (tanneries, shoe factories and other leather product industries). From these 188 was returned and they were used for quantitative analysis and discussion; which indicates that the response rate was 75%, which is an acceptable percent.

4.2 Demographic Characteristics of Respondents

Demographic characteristics of respondents who are involved in this thesis are presented below.

VARIABLES	CATEGORY	FREQUENCY	PERCENTAGE
Gender	Male	112	59.6%
	female	76	40.4%
Age	Below 25	20	10.6%
	25 - 35	91	48.4%
	36 - 50	63	33.5%
	Above 50	14	7.4%
Experience	Up to 3	45	23.9
	4 - 6	79	42.0
	7 - 9	28	14.9
	Above 9	36	19.1
Educational level	Diploma	46	24.5
	Degree	102	54.3
	Post graduate	40	21.3
Industry	Tannery	73	38.82
	shoes industry	60	31.91
	Other l. products	55	29.25

Table 4.1 Demographic characteristics of respondents

Source: analysis of survey data using SPSS 26

The number of male respondents is considerably higher than that of females. Most of the respondents, nearly half of them are between the age of 25 and 35; followed by those who are between 36 and 50 (33.5%). respondents who are below age 25 and above 50 are only 18% of them.

Since 75.6 % of the respondents are first degree or masters holders and have 4 years and above experience in the leather and leather products industry, both the educational background and experience the researcher believed that it gave more understanding of the questionnaires so that to get a valid response. The questionnaires addressed all the three industries, tanneries, shoe factories and other leather product industries.

4.3 Data Analysis

4.3.1 Assessing the Sample Size

When sample size is being determined by the act of choosing a number of repeated, to include it in to a statistical sample, different factors are considered. This include, the cost, time, or convenience of collecting the data, and the need for it to offer sufficient statistical power. Knile (2005), Researchers must obtain matching parameters that are as close to the population as possible; because, quantitative research findings are extrapolated from samples to the entire population. According to Loehlin (2004), sample size For SEM should be at least 100 to 200. The sample size used for this study was 251 which are sufficient for performing the factor analysis and structural model.

4.3.2 Assessing Common Method Bias

As said by Podsakoff et al. (2012), the systematic variance shared by the variables is referred to as common method bias; and it assumes that a single factor explains the majority of variance. Unless dealt with, since it is considered to be the main source of measurement error, it could be a problem. The presence of common method bias in any measure produces hypothetically ambiguous results by inflating the correlation (Carlson, Kacmar, and Williams, 2000). To be free of CMB, the first factor of un-rotated factor analysis should be less than 50% (Podsakoff et al., 2003). The unrotated factor analysis of this thesis showed that the first factor accounted for 33.05% of the total variance, therefore, the results suggested that there were no common variable (see Appendix D).

4.3.3 Assessing Missing Data

As said by Coleman (2011), when using likert scale rated items it is quite possible to have missing data issues. This might produce bias estimate and reduced model fit. It will also weaken generalizability of findings; but a missed data of less than 10% is not considered as a vital problem. Since there were no missing data, the researcher continued with the 188 usable questionnaires for further analysis of EFA, CFA, and path analysis.

4.3.4 Assessing outliers

As stated by Tinsley and Brown (2000), Outliers are extreme values which are either on one or a set of variables. This could be due to an incorrect value being entered, an error in recoding or transforming variables, or the presence of an exceptional but valid data point. As said by Kline (2005), the presence of outliers will impact the analysis and possibly the understanding of empirical findings.

There are two categories of Outlier findings. The first, outliers that have cases with unusual values for only one variable, called univariate outliers and the second, outliers that have cases with an unusual mix of values for more than one variable, called multivariate outliers (Field, 2009; Pallant, 2010). The researcher used the frequency distributions of z scores In order to find univariate outliers. According to Tinsley and Brown (2000), Z score of absolute value above 3.29 with p value less than .001, shows the presence of a univariate outlier. However, based on the above value, no univariate outlier was observed in this thesis. The multivariate outliers analysis was done by using the criterion that the D2 (Mahalanobis distance) value should be $p < 0.005$ as recommended by Kline (2010). In the output of SPSS, since there were no values which were less than 0.005, all the data were used.

4.3.5 Assessing Linearity Assumption

Here the dependent variable are defined as a linear function of the independent variable, the predictor. The relationship between independent and dependent variable can only be accurately estimated by Standard multiple regression, if their relationships is linear in nature. However, if not, the regression analysis results will underestimate the true relationship and produce inaccurate statistical results (Jensen and Ramirez, 2013). For all the relationship in the model, curve

estimation was conducted and found to be sufficiently linear to be tested using a covariance based SEM algorithm.

4.3.6 Assessing Multi-collinearity Assumption

Multi-collinearity, in multiple regression is the degree to which independent variables are correlated. It reduces the ability to assess the individual importance of each independent variable. A problem in Multi-collinearity results in high correlations among independent variables. (Kline, 1998; Mansfield & Helms, 1982; Ramadan et al., 2017).

Tolerance denotes how much of the variability of the specified predictor variable is not explained by the other predictor variables in the model and the variance inflation factor (VIF is the influence of correlations among independent variables on the precision of regression estimates. Dormann et al. (2013), suggested that a tolerance value less than 0.1 almost certainly indicates a serious Collinearity problem and Liu (2010), also suggests that a VIF value greater than 10 means more severe Multi-collinearity. To check if there is a multi-collinearity problem in this thesis, the researchers depend on a common cut off value of 0.10 for tolerance, and a value of 10 for VIF as recommended by Sekaran & Bougie (2013); and it was found to be in the acceptable range, as shown below.

Collinearity Statistics		
	Tolerance	VIF
EOA	0.543	1.840
EOC	0.391	2.555
EOI	0.521	1.918
EOP	0.568	1.760
EOR	0.889	1.124
ICER	0.657	1.521
ICET	0.679	1.472
<i>Dependent variable: EXPERF</i>		

Table 4.2 collinearity statistics

Source: analysis of survey data using SPSS 26

4.3.7 Assessing Normality Assumption

Normality test is used to determine whether the sample data has been drawn from the data normally distributed. It also shows if the data set is well modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed (Brown, 2016).

Since multiple regression require independent variables in the analysis to be normally distributed normality was checked by using Kurtosis, which measures if the data is heavily tailed or lightly tailed to the normal distribution and skewness, which is a measure of symmetry, before running the regression. If the data is normally distributed, as a rule of thumb, the skewness and kurtosis should be fall within the range of -2 and 2. Therefore, the analysis for all the variables, as can be seen below, is normally distributed (Hair et al, 2006).

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
EOA	-0.150	0.177	-0.876	0.353
EOC	-0.395	0.177	-0.557	0.353
EOI	-0.456	0.177	-0.342	0.353
EOP	-0.089	0.177	-0.745	0.353
EOR	-1.423	0.177	1.529	0.353
ICER	-0.047	0.177	-0.894	0.353
ICET	-0.548	0.177	-0.354	0.353
EXPERF	-0.124	0.177	-0.917	0.353

Table 4.3 Normality Test Skewness and Kurtosis

Source: analysis of survey data using SPSS 26

4.4 Factor analysis

Factor analysis explains the relationship between a set of construct and observed variables; It can be used to assess the validity of measurements, as well as to develop or confirm a theory by investigating the observed variables and also to generate a smaller set of latent variables from a larger set of observed variables (Tinsley and Brown, 2000; Thompson, 2004). Factor analysis removes redundancy from set of correlated variables and it reduces number of correlated variables by representing them with derived variables. Factor analysis assumes that the fundamental dimensions of factors, rather than the entire factors, can be used to explain complex phenomena. (Stevens, 2002). Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) are the two factor analysis techniques.

4.4.1 Exploratory Factor Analysis (EFA)

Exploratory Factor Analysis assists researchers in condensing data into a smaller set of summary variables in order to investigate the fundamental theoretical structure of the phenomenon. It aids in determining the structure of the variable's relationship with the respondents.

EFA is a multivariate statistical technique to model the covariance structure of the observed variables by using factor loadings associated with latent variables; residual variances and factor correlations. It is considered as one of the data reduction techniques since it aims at explaining the relationship of many observed variables by a relatively small number of factors. As said by DeCoster (1998) when we want to discover different factors influencing variables and to analyze which variables go together for the purpose of producing an appropriate structural model, we use EFA (McDonald, 1985).

4.4.1.1 Factor Extraction

According to Pallant (2003), Factor extraction is concerned with identifying the fewest number of factors that can be used to best represent the interrelationships among a set of variables. It pursues to discover common factors. Different factor extraction methods includes maximum likelihood; generalized least squares; unweighted least squares; principal axis factoring; alpha factoring; image factoring; principal components and the alternative methods including correlation or covariance matrix (George and Mallery, 2003).

This thesis used principal component method to extract factors from the results of univariate analysis and it used Variamax rotation to carry out factor interpretation. By using SPSS 26 Kaiser-Meyer-Olkin (KMO), which tests weather the partial correlations among variables are small and Bartlett's test of Sphericity were also done to measure sample adequacy and appropriateness.

The basic guidance for KMO is as follows.

- Less than 0.05 is considered poor
- 0.5 - 0.6 is average
- 0.6 - 0.7 is acceptable
- 0.7 - 0.8 is good and above 0.8 is considered excellent (Kaiser, 1974).

In addition to KMO, Bartlett's test of sphericity, which measures weather the correlation matrix is an identical (the diagonal value is 1 and the off-diagonal values are 0). This condition means that the variables are completely independent of each other and thus the factor model is inappropriate. Identify matrix of p-value test of less than 0.005 results in ruling out (Tobias & Carlson, 1969).

KMO and Bartlett's Test		
KMO Measure of Sampling Adequacy		.82
Bartlett's test of Sphericity	Approx. Chi-Square	563.15
	df	28
	Sig.	.000

Table 4.4 KMO and Bartlett's Test

Source: analysis of survey data using SPSS 26

The KMO value of 0.82 is considered excellent, insuring that factor analysis is useful with our data. In addition to this, Small values of Bartlett's Test of Sphericity (< 0.05) suggests that factor analysis could be useful with our data. As shown above in the table we have a value of 0. (Kaiser, 1974; Tobias & Carlson, 1969).

4.4.1.2 Communalities

Communality is the measure of the percentage of variables variation which is explained by the factors. It is the variance amount, the prior variable share with all the other variables which are included in the analysis. The presence of variance is explained by all the factors jointly and measured by Communality. It estimates a part of the variance in a variable and might be interpreted as reliability of indicators. A communality value of below 0.5 will face omission (Thompson, 2004).

Certain variables and common factors are used to begin principal component analysis. At first, it assumes that all variances are the same. As a result, before extraction, the communalities equal one (1). This means that after extraction, there are common factors representing the common variance in the data structure. After extraction, the communalities represented the amount of variance in each variable that could be explained by the retained factors. All the variables of in the data indicated high communality, >0.5 (see Appendix E).

4.4.1.3 Total Variance Explained

Total variance which is set out by using Eigen values aims in determining the number of factors which explain most variances in the data (Kim and Mueller, 1978). It is used to determine the variance in all variables that are explained by a single factor. The Eigen value ratio is the ratio of explanatory importance of the factors in relation to the variables. The percentage of explanatory importance of a given factor with respect to the variables is expressed by the ratio of Eigen values. A factor with low Eigen value is considered as a redundant when compared to the more important factors and contribute small in explanation of the variance in the variables (Kaiser, 1958).

Various extraction methods are used, but the most common extraction method is root greater than one criterion, which was first proposed by (Kaiser, 1958). This criterion keeps components with Eigen values greater than one (>1). The reasoning behind this criterion is that any component should account for more variance in the standardized test score space than any single variable.

Initially 33 variables were extracted in this thesis. Then, two variables which had low loadings were dropped and the remaining factors explained 69.83% variance using Varimax rotation.

4.4.1.4 Factor Rotation

Factor rotation is a technique for testing and improving the interpretability of factors. Rotation is used to maximize each variable's loading on one of the extracted factors while minimizing the loading on all other factors. The three techniques for orthogonal rotation are Varimax, quartimax and equamax. The varimax method is the most popular among these techniques and is often used to make factor analysis FA.

According to Hair et al. (2006), the higher the loading, the better the item's representation on the factor. Factor loadings greater than 0.30 & 0.20 are required for explanatory and exploratory researches, respectively. Varimax rotation is used in accordance with this guideline, and items with factor loadings of less than 0.3 are discarded in order to obtain more representatives for their respective factor. The out puts of EFA were used as inputs for CFA.

The research used absolute value of 0.50, as suggested by Field (2005), so that values above 0.5 to be observed. This increases the significance of items to their respective factor. The rotated component matrix divided the factors into seven. One variable (EOA1) was reduced since it didn't have a value in the rotated component matrix. Competitive aggressiveness was dispersed to two variables, EOC1 to innovativeness and EOC2 and EOC3 to proactiveness. After the researcher analyzed the questionnaire, he accepted these variables in their new group, giving a name EOPC. However ICER 3 and ICER 4 were reduced since they were grouped in to export performance variable in which the researcher believed it to be unrelated. The analysis was carried out iteratively until the factor extraction rules were met.

Rotated Component Matrix ^a							
	Component						
	1	2	3	4	5	6	7
ICET4	.847						
ICET3	.788						
ICET1	.778						
ICET2	.777						
ICET5	.748						
ICET6	.731						
EXPERF5		.829					
EXPERF6		.792					
EXPERF1		.746					
EXPERF2		.733					
EXPERF3		.726					
EXPERF4		.715					
EOI3			.815				
EOI2			.743				
EOI1			.722				
EOC1			.574				
EOC2				.860			
EOP1				.798			
EOP3				.581			
EOC3				.506			
ICER1					.811		
ICER2					.784		
ICER5					.582		

ICER6					.529		
EOA3						.743	
EOA2						.663	
EOR1							.866
EOR2							.836
Extraction Method: Principal Component Analysis (PCA).							
Rotation Method: Varimax with Kaiser Normalization.							
a. Rotation converged in 6 iterations.							

Table 4.5 rotated component matrix

Source: researchers SPSS output

After the rotation and reduction, two questions of proactiveness (EOP1 and EOP3) and two questions of competitive aggressiveness (EOC2 and EOC3) were found to be representing one variable and a name EOPC1, EOPC2, EOPC3 and EOPC4 is given to this variable while designing the AMOS output. However one of the questions which is grouped in to innovativeness (EOC1) was left to be called by the name EOI in order to reduce confusion. In addition to this two items of ICER were deleted for being grouped to EXPERF and the researcher believed the remaining exploratory questions can address the questions sufficiently.

4.4.2 Confirmatory Factor Analysis (CFA)

After determining the underlying structure with exploratory factor analysis and a principal component analysis method, confirmatory factor analysis (CFA), that bridges factor analysis with Structural Equation Modelling (SEM), was used to assess construct validity through model fit indices (Tabachnick and Fidell, 2007).

CFA is used to determine whether or not a defined factor model fits a set of observed data. It is also used to determine the validity of a single factor model and compares the validation capability of two different models for the same set of data; it investigates the significance and the relationship between two or more factor loadings; it determines whether a set of factors is correlated or uncorrelated, and it

evaluates the convergent and discriminant validity of a set of measures (Brown, 2015). CFA is closely related to Structural Equation Modeling.

The statistical method called Structural equation modeling (SEM) tests the relationships between latent and observed variables. Observed variables are variables that are measured during the data collection process, whereas latent variables are variables that are measured by connecting to the observed variables because they cannot be measured directly. SEM is a statistical framework that is multivariate in nature. It simulates complex relationships between variables that are directly and indirectly observed (latent). It is a multi-step process that involves the solution of systems of linear equations as well as the incorporation of systems and techniques. Path and factor analysis, simultaneous econometric equations, latent growth curve modeling, and regression analysis are some of the techniques used. (Barrett, 2007).

The estimation of parameters for a system of simultaneous equations is the goal of structural equation modeling (SEM). It aids researchers in the specification of confirmatory Factor Analysis (CFA), regression analysis, and complex models (Kaplan and Miller, 2000). After fundamental structure was found using EFA with PCA, then model fit indices are employed to assess the construct validity by using CFA (Tabachnick, Fidell, and Ullman, 2007).

Basic process of SEM

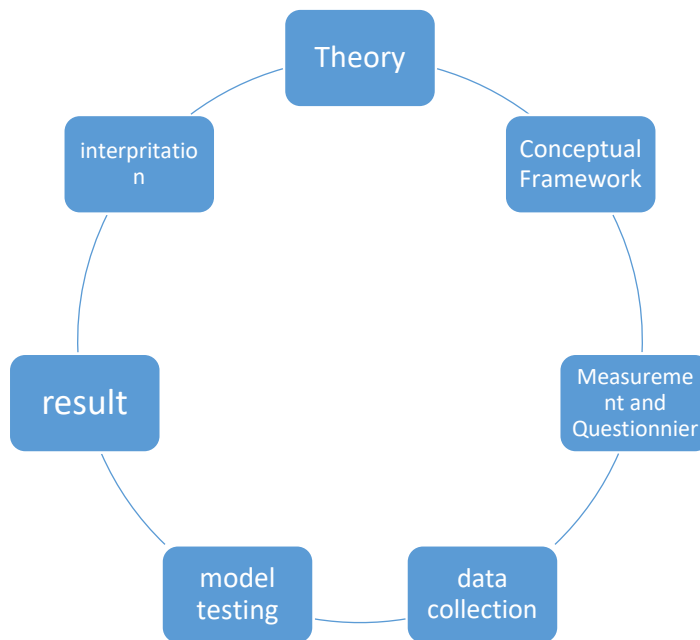


Fig 4.2 process of SEM result

SEM is a powerful multivariate analysis technique similar to factor analysis. According to Holmes Smith (2007), SEM primarily provides a parsimonious summary of the interrelationships among variables. Expanding on the potential of EFA, SEM can include CFA that can test specific hypotheses about the structure of the factor loadings and inter-correlations. Secondly, similar to path analysis, SEM can test hypothesized relationships among constructs with a linear equation system (Weston and Gore, 2006).

Byrne (2001), separated SEM method into two models: the measurement model, which is concerned with the variables that are supposed to measure the concept (represent CFA model). It shows how the latent variables are represented by their respective indicators and structural model describes the relationships between the latent variables, or constructs. Both models together are called The composite, or full, structural model (Weston and Gore, 2006). AMOS (Analysis of Moment Structures) software was used to conduct SEM.

4.4.2.1 Measurement model

Paschke, (2009), the measurement model produces the most parsimonious, well-fitting, and valid model. It is used to assess construct validity based on convergent and discriminant validity. If the

measurement model is based on theory and well-defined constructs, the full structural model will be valid and reliable, resulting in a solid theoretical foundation for the subsequent structural model.

4.4.2.1.1 Construct validity

Two construct validity assessments, convergent and discriminant validities were tested. The tests were carried out for the entire measurement model (Sounders et al, 2009). This section provides an overview of convergent and discriminant validity as well as results of measurement model construct validity.

As said by Hair et al. (2010), construct validity, which focuses on the measurement of individual constructs, is the extent to which a test measures what it was designed to measure. It determines how well a set of measured items reflects the underlying factor model in which those items are designed to measure. It is the appropriateness of the inferences made on the basis of observations or measurements which measure the intended design of the test.

4.4.2.1.2 Convergent Validity

Convergent validity is defined as the degree to which individual items reflecting a construct converge when compared to items measuring different constructs. It determines whether items of the same variable or construct measure the same thing and, as a result, reveal correlations. (Hair et al., 2006). The relationship between the observed and latent variable is measured using convergent validity.

Convergent validity is achieved when the critical ratios are outside the -1.96 to +1.96 z-value range and the p-values ($p < 0.05$), according to Holmes-Smith (2007), which indicates that factor loadings are significantly different from zero is fulfilled. This test of significant factor loading is the most important criterion in determining factor validity. Convergent validity is assessed with a standard regression loading > 0.5 , significant p value at 95% confidence interval and critical ratios outside -1.96 to +1.96 z-range. Hair et al. (2006), Squared multiple correlation value above 0.5 is accepted and below 0.4 are considered not to hold convergent validity.

4.4.2.1.3 Discriminant validity

Discriminant Validity assesses how much latent variables differ from one another. It is a measure between variables and in this study it is compares AVE and squared correlation. The model does not

violate the discriminant validity assumption, as shown below, the AVEs are greater than the values of the Squared Correlation. (Zait & Berteau, 2011; Holmes-Smith 2007).

4.4.2.1.4 Nomological validity

Nomological validity is a form of construct validity. It assesses the overall model validity. A nomological validity checks relationship between structures (latent variables), and features to the variables (indicators). It is useful for factor analysis. The degree to which the summated scale accurately predicts other concepts in a theoretically based model is referred to as nomological validity. According to Cronbach & Meehl (1955), it is an association with measures of other constructs that, according to theory, should be related to it. The relationships between constructs should be reflected in the relationships between measures or observations. The researcher assumes that the model does not contradict theoretically findings and principles from prior research.

4.4.2.1.5 Goodness of fit

Validity of measurement model depends on goodness of fit indices (GOF) The validity of a measurement model is determined by goodness of fit (GOF) indices, which indicate how well the model reflects the data (Hair et al., 2006). Despite the fact that there are numerous GOF indicators, only a few of them are usually reported. Absolute measures, incremental measures, and parsimonious fit measures are the three types of GOF indicators. Multiple GOF indices are used to ensure consistency in the empirical assessment (Kline, 2005).

4.4.2.1.5.1 Absolute fit indices

McDonald and Ho (2002) stated that absolute fit indices determine how well the model fits the sample data, without being compared to other models and how well the proposed theory fits the data (Jöreskog and Sörbom, 1993). Absolute fit indices includes Chi-Squared test, RMSEA, GFI, AGFI, the RMR and the SRMR.

a) Chi square

According to Schreiber et al. (2006) the ratio of degrees of freedom to chi square for a model needs to be less than 5 to be acceptable. The Chi-Square value is the traditional measure for evaluating overall model fit and, ‘assesses the magnitude of discrepancy between the sample and fitted covariance matrices (Hu and Bentler, 1999). One of the limitation of the Chi-Square statistic is it is sensitive to sample size, which means that the Chi-Square statistic nearly always rejects the

model when large samples are used (Bentler and Bonnet, 1980; Jöreskog and Sörbom, 1993). On the other hand, where small samples are used, the Chi-Square statistic lacks power and because of this may not discriminate between good fitting models and poor fitting models (Kenny and McCoach, 2003).

b) Root mean square error of approximation (RMSEA)

The RMSEA tells how well the model, with unknown but optimally chosen parameter estimates would fit the population covariance matrix (Byrne, 1998). Recommendations for RMSEA cut-off points includes a well-fitting model to have a lower value of and the upper limit to be less than 0.08. RMSEA gives an advantage to calculate confidence interval around it because of the known distribution values of the statistic (MacCallum et al, 1996).

c) Goodness-of-fit statistic (GFI) and the adjusted goodness-of-fit statistic (AGFI)

The Goodness-of-Fit statistic (GFI) was created by Jöreskog and Sorbom as an alternative to the Chi-Square test and calculates the proportion of variance that is accounted for by the estimated population covariance. AGFI modifies the GFI based on degrees of freedom, with more saturated models having a lower fit (Tabachnick and Fidell, 2007). GFI values range from 0 to 1, and it is generally accepted that values of 0.90 or higher indicate well-fitting models. According to Miles and Shevlin (1998), a cut-off of 0.95 is more appropriate.

d) Root mean square residual (RMR) and standardized root mean square residual (SRMR)

The RMR and the SRMR are the square root of the difference between the sample covariance matrix residuals and the hypothesized covariance model. Values for the SRMR range from zero to 1.0 with well-fitting models obtaining values less than .05 (Byrne, 1998; Diamantopoulos and Siguaw, 2000). However, values as high as 0.08 are deemed acceptable (Hu and Bentler, 1999).

4.4.2.1.5.2 Incremental fit indices

Incremental fit indices are a class of indices that compare the chi-square value to a baseline model rather than using the chi-square in its raw form. The null hypothesis for these models is that all variables are uncorrelated. (McDonald and Ho, 2002).

a) Normed-fit index (NFI)

This statistic assesses the model by comparing the χ^2 value of the model to the χ^2 of the null model. The null/independence model is the worst case scenario as it specifies that all measured variables are uncorrelated. Values for this statistic range between 0 and 1 with Bentler and Bonnet (1980) recommending values greater than 0.90 indicating a good fit. More recent suggestions state that the cut-off criteria should be $NFI \geq .95$ (Hu and Bentler, 1999). A major drawback to this index is that it is sensitive to sample size,

b) CFI (Comparative fit index)

This statistic compares the sample covariance matrix to the null model, which assumes that all latent variables are uncorrelated (null/independence model). This statistic has values ranging from 0.0 to 1.0, with values closer to 1.0 indicating a good fit. Initially, a cut-off criterion of CFI 0.90 was proposed; however, a value of CFI 0.95 is now recognized as indicative of good fit. (Hu and Bentler, 1999).

4.4.2.1.5.3 Parsimony fit indices

The two parsimony fit indices as developed by Mulaik et al (1989) are the Parsimony Goodness-of-Fit Index (PGFI) and the Parsimonious Normed Fit Index (PNFI). The PGFI is based upon the GFI by adjusting for loss of degrees of freedom. The PNFI also adjusts for degrees of freedom however it is based on the NFI. Mulaik et al (1989) suggested that a parsimony fit indices within the range of .50 if other goodness of fit indices achieve values over .90 is acceptable (Mulaik et al., 1989).

The CFA measurement model is built from the EFA output, which includes both latent and observed variables (indicators). The SPSS rotated component matrix was used as an input for the AMOS (Analysis of Moment Structure) software to perform CFA. This software is used by the researcher to analyze CFA and SEM.

As suggested by Hair et al (2010), a model is said to be correctly specified when it reproduces the sample covariance matrix well. When instances of specification error are noticed, the critical ratios (t-values), the squared multiple correlations (SMC) values, the standardized residuals and the modification indices (MI) were examined to re-specify the model. Taking this in to consideration

necessary model re-specification was made, including dropping an item and re-running the measurement model.

A list of the variables that will be used in CFA

No.	Latent variables	Indicators (observed variables)
1	EOPC	EOPC1, EOPC2, EOPC3, EOPC4
2	EOI	EOI1,EOI2,EOI3,EOC1
3	EOR	EOR1, EOR2
4	EOA	EOA2, EOA3
5	ICER	ICER1, ICER2, ICER5, ICER6
6	ICET	ICET1, ICET2, ICET3, ICET4, ICET5, ICET6
7	EXPERF	EXPERF1,EXPERF2,EXPERF3, EXPERF4,EXPERF5,EXPERF6

Table 4.6 Proposed latent variables and indicators

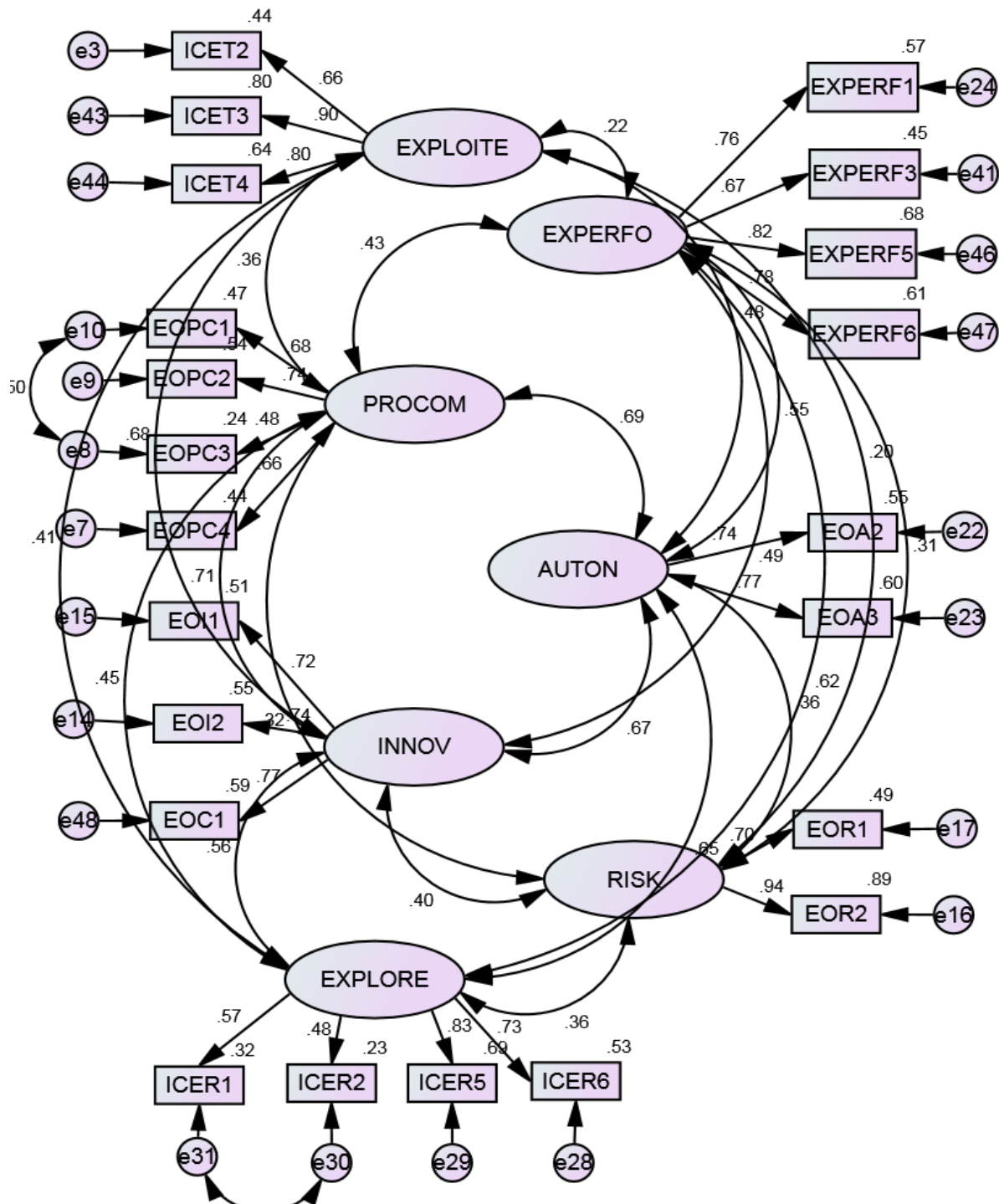


Fig 4.2 the complete CFA model (model 2)

Source: researcher's AMOS output

Result of CFA measurement model for convergent validity

<i>Chi square</i>		<i>Absolut Fit Indices</i>		<i>Incremental Fit Indices</i>		<i>Parsimony fit test</i>	
X² (P value)	388.2 P VALUE (0.000)	RMSEA	0.07	CFI	0.89	PCFI	0.72
Df	186.2	RMR	0.07	IFI	0.89	PNFI	0.66
X²/df	2.08	CMIN/DF	2.08	TLI	0.87	GFI	0.85
Factor Loadings ***=$p < 0.001$, **=$p < 0.01$, *=$p < 0.05$							

Table 4.7 goodness of fit for model 2

Source: Researcher's AMOS output

CFA model 1 was modified for some model fit issues (see Appendix G). Model re-specification was done as suggested by modification indices and yielded a better model as can be observed in table 4.7. The CMIN/DF value is within the acceptable value of between 1 and 5 (2.08). In addition to this the RMSEA and RMR values are also in the acceptable range of <0.08. There values are 0.07 for both.

The incremental fitness indices had a value of approximately 0.9 for CFI, IFI and TLI, these are also in the acceptable range of ≥ 0.9 . The parsimony fit indices had values of 0.72, 0.66 and 0.85 for PCFI, PNFI and GFI respectively. The acceptable range for these indices is >0.5 . At P value of less than 0.001, all standardized regression weights (estimates) are significant. Squared multiple correlations (SMC) are not expected to be less than 0.4 in order for convergent validity to be satisfied and the result of the model showed that the SMC values are all in the acceptable cut value

of above 0.4. This shows that there is no problem of item reliability and convergent validity (see Appendix H).

The researcher uses the correlations of each latent variable to test the discriminant validity of each item. As can be seen from Appendix I, all of the latent variables' correlations are less than the acceptable value of 0.8, indicating the presence of discriminant validity within the latent variables.

Finally structural model was produced to assess the relationship between latent and observed variables.

4.5 Final reliability

After validating all of the measurement factors underlying the research construct, the instrument was tested for reliability before proceeding with the structural model. The coefficient of internal consistency, Cronbach's Alpha, which is a common statistic for evaluating reliability was used. All of the instruments passed the minimum recommended acceptable value of 0.7 (Hair et al., 2010). Thus, the measurement instrument is reliable. Table 4.14 shows the reliability estimates for each variable.

Instrument Reliability

CONSTRUCT	NUMBER OF ITEMS	CHRONBACH'S ALPHA
EOPC	4	0.78
EOI	3	0.79
EOR	2	0.80
EOA	2	0.73
ICER	4	0.82
ICET	3	0.83
EXPERF	4	0.84

Table 4.8 chronbach alpha value of each variable

Assessing the model fit for the model with mediating variable

<i>Chi square</i>		<i>Absolut Fit Indices</i>		<i>Incremental Fit Indices</i>		<i>Parsimony fit test</i>	
X²	413.7	RMSEA	0.076	CFI	0.88	PCFI	0.76
(P value)	P VALUE (0.000)						
Df	198	RMR	0.079	IFI	0.89	PNFI	0.69
X²/df	2.21	CMIN/DF	2.09	TLI	0.87	GFI	0.84
EXPOLIT	<---	EO	0.779	0.115	6.761	***	X_path
EXPLORE	<---	EO	0.762	0.115	6.626	***	A_path
PROCOM	<---	EO	0.683	0.103	6.642	***	
INNOV	<---	EO	1				
RISK	<---	EO	0.482	0.097	4.968	***	
AUTON	<---	EO	0.919	0.128	7.158	***	
EXPER	<---	EO	0.642	0.2	3.207	0.001	D_path
EXPER	<---	EXPOLIT	-0.277	0.111	-2.498	0.012	Y_path
EXPER	<---	EXPLORE	0.449	0.139	3.239	0.001	B_path
EOPC1	<---	PROCOM	0.936	0.121	7.726	***	
EOPC2	<---	PROCOM	1				
EOPC3	<---	PROCOM	0.675	0.118	5.723	***	
EOPC4	<---	PROCOM	0.9	0.122	7.376	***	

EOI1	<---	INNOV	0.862	0.092	9.331	***	
EOI2	<---	INNOV	0.906	0.097	9.306	***	
EOC1	<---	INNOV	1				
EOP2	<---	PROACT	0.954	0.115	8.312	***	
EOP3	<---	PROACT	1				
EOR1	<---	RISK	0.793	0.149	5.305	***	
EOR2	<---	RISK	1				
ICER1	<---	EXPLORE	0.674	0.093	7.232	***	
ICER2	<---	EXPLORE	0.556	0.09	6.201	***	
ICER5	<---	EXPLORE	1				
ICER6	<---	EXPLORE	0.952	0.104	9.151	***	
ICET2	<---	EXPOLIT	0.719	0.076	9.456	***	
ICET3	<---	EXPOLIT	1				
ICET4	<---	EXPOLIT	0.792	0.069	11.506	***	
EXPERF1	<---	EXPER	0.736	0.068	10.748	***	
EXPERF3	<---	EXPER	0.672	0.072	9.37	***	
EXPERF5	<---	EXPER	1				
EXPERF6	<---	EXPER	0.784	0.07	11.211	***	

Table 4.9 the model fit for model 3, a model with mediating variable

According to the above results, the value of CMIN/DF is 2.09, which is within the acceptable range, and the values of RMSEA and RMR are both acceptable.

CFI, IFI, and TLI values are all within acceptable cut point of greater than or equal to 0.9 when approximated. In addition to this, all the parsimony fit indices fall above the acceptable value of 0.5. Therefore, the full structural model as indicated in model 3, in terms of the selected fit indices in SEM literature, is supported and accepted.

4.6.2 Proposed model without mediating variables

According to the results (see Appendix G), the value of CMIN/DF is 2.07, which is within the acceptable range. The Absolut Fit Indices, Incremental Fit Indices and parsimony fit all fall within the acceptable values. Therefore, the full structural model of EO dimensions in terms of the selected fit indices in SEM literature, it is supported and accepted.

4.6.3 Proposed model for EO dimensions

As can be seen in appendix J, all the absolute fit indices (RMSEA, CMIN/DF and RMR); incremental fit indices (CFI, IFI and TLI) and parsimony fit tests (PCFI, PNFI and GFI) are within the acceptable range. Therefore, the full structural model for EO dimensions is acceptable.

4.7 Hypothesis Testing

HYPOTHESIS 1									
HYP				Estimate	S.E.	C.R.	P	STATUS	
Ha 1	EP	<---	EO	0.642	0.2	3.207	0.001	Significant	
	With and without mediator	EP	<---	EO	0.839	0.146	5.762	***	significant
Ha 1.1	EP	<---	AUTO	0.277	0.154	1.796	0.07	N. significant	
Ha 1.3	EP	<---	INNOV	0.249	0.098	2.531	0.01	significant	
Ha 1.4	EP	<---	RISK	0.219	0.113	1.937	0.05	significant	
Ha 1.5	EP	<---	PROCOM	0.307	0.108	2.841	0.004	significant	
HYPOTHESIS 2									
				Estimate	S.E	C.R	P	label	status
HYP	ER	<---	EO	0.76	0.12	6.63	***	A_path	significant
	EXPER	<---	EXPLOR	0.45	0.14	3.24	0.001	B_path	significant
HYP	ET	<---	EO	0.78	0.12	6.76	***	X_path	significant
	EXPER	<---	EXPOLI	-0.28	0.11	-2.50	0.01	Y_path	significant
	Parameter		Estimate	Lower	Upper	P			
Ha2.1	Indirecttest1		.342	.103	.680	.013			
	Parameter		Estimate	Lower	Upper	P			
Ha.2.2	indirecttest2		-.216	-.510	-.031	.020			
HYPOTHESIS 3									
Hypothesis					Estimate	S.E.	C.R.	P	Label
Ha3.1		AUTON	<---	EO	1				default
Ha3.3		INNOV	<---	EO	0.993	0.16	6.212	***	Significant
Ha3.4		RISK	<---	EO	0.526	0.115	4.584	***	Significant
Ha3.5		PROCOM	<---	EO	0.865	0.137	6.315	***	Significant

Table 4.10 summary of hypothesis to be tested

4.7.1 Discussion of empirical findings

In this section the outcome and effect of entrepreneurial orientation (independent variable) and the mediation effect of innovative capability (both exploratory and exploitative) on export performance (dependent variable) was discussed, analyzed and contrasted with the previous findings.

4.7.1.1 Entrepreneurial orientation

Ha1: Entrepreneurial orientation has positive and significant effect on Export Performance

Ha.1.1: Autonomy has positive and significant effect on export performance

Ha.1.2: Competitive aggressiveness has positive and significant effect on export performance

Ha.1.3: Innovativeness has positive and significant effect on export performance

Ha.1.4: Proactiveness has positive and significant effect on export performance

Ha.1.5: Risk taking has positive and significant effect on export performance

HY P				Estimate	S.E.	C.R.	P	STATUS
Ha1	EXPER	<---	EO	0.642	0.2	3.207	0.001	significant
Ha 1.1	EXPER	<---	AUTO	0.277	0.154	1.796	0.07	Not significant
Ha 1.3	EXPER	<---	INNOV	0.249	0.098	2.531	0.01	significant
Ha 1.4	EXPER	<---	PROCOM [^]	0.219	0.113	1.937	0.05	significant
Ha 1.5	EXPER	<---	RISK	0.307	0.108	2.841	0.004	significant
WITHOUT MEDIATOR								
Ha1	EXPER	<---	EO	0.839	0.146	5.762	***	significant

Table 4.11 result for hypothesis 1

Source AMOS out put

^PROCOT takes Ha1.2 & 1.4 since two components were taken from both competitive aggressiveness and proactiveness

Even though some scholars; George et al. (2001); Dimitratos et al. (2004) Wiklund & Shepherd (2005); had demonstrated an argumentative less significant relationship of EO with export performance the study in hand has shown the opposite.

As shown in table 4.11 coefficient of EO is 0.64 and 0.84 with and without mediator and p value of 0.001 and 0.000 respectively. Hence, the researcher accepts the hypothesis that states that EO has positive and significant impact on export performance of the Ethiopian leather and leather product industries. This finding was also confirmed by previous literatures by (Rauch et al., 2009) who has found significant proof for positive performance implication of firms with EO. In addition to this Monteiro et al. (2017), has found entrepreneurial orientation's direct and indirect impact on export performance. Possible reason for this could be; in an increasingly globalized environment, a straight forward internationalization initiative couldn't be effective unless managers and other employees of organizations are entrepreneurially oriented.

As shown in table 4.12 the coefficient of Autonomy, Innovation, procom and risk are 0.277, 0.249, 0.219 and 0.307 respectively. Except Autonomy which has 0.07 P value, the remaining has shown positive and significance impact on export performance of Ethiopian leather and leather products industry. Previous findings agree with the above result. For instance, according to Shoghi & Safieepoor (2013), the dimensions of entrepreneurial orientation which include autonomy, Innovation, proactiveness, risk-taking and competitive aggressive approach, all contribute to the organization's entrepreneurial performance. The insignificance impact of autonomy might arise from procedural rigidities of the industry.

4.7.1.2 Mediating role of exploratory and exploitative innovation capabilities.

Ha2: Innovation capability mediates the relationship between Entrepreneurial orientation and export performance

Ha2.1: Exploratory innovation capability mediates the relationship between Entrepreneurial orientation and export performance

Ha2.2: Exploitative innovation capability mediates the relationship between Entrepreneurial orientation and export performance.

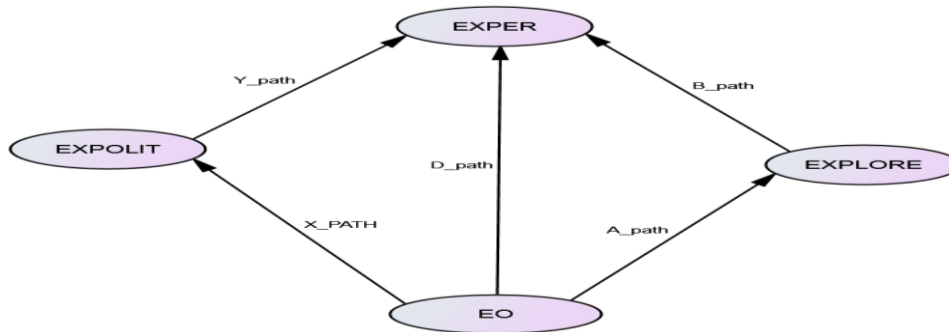


Fig 4.4 model for the two mediating variables

			Estimate	S.E	C.R	P	label	status
EXPLOITE	<--	EO	0.78	0.16	6.76	***	X_path	significant
EXPLORE	<--	EO	0.76	0.16	6.63	***	A_path	significant
EXPER	<--	EO	0.64	0.2	3.21	0.001	D_path	significant
EXPER	<--	ET	-0.28	0.11	-2.50	0.01	Y_path	significant
EXPER	<--	ER	0.45	0.14	3.24	0.001	B_path	significant

Table 4.12 result for hypothesis 2

Source: AMOS output

Below, in the tables, **indirect test one** indicates the mediating impact of exploratory innovative capability between entrepreneurial orientation and export performance and **indirect test two** indicates the mediating impact of exploitative innovative capability between entrepreneurial orientation and export performance.

Parameter	Estimate	Lower	Upper	P
indirecttest1	.342	.103	.680	.013
indirecttest2	-.216	-.510	-.031	.020

Table 4.13 indirect effects of mediating variables

Source: AMOS

Indirecttest1=A_path*B_path (Exploratory IC mediation)

HYP	EXPLORE	<---	EO	0.76	0.12	6.63	***	A_path	significant
	EXPER	<---	EXPLORE	0.45	0.14	3.24	0.001	B_path	significant
	Parameter		Estimate	Lower	Upper	P	status		
Ha.2.1	Indirecttest1		.342	.103	.680	.013	significant		

Table 4.14(a) indirect effects of exploratory innovative capability

Source: AMOS output

Indirecttest2=X_path*Y_path (exploitative IC mediation)

				Estimate	S.E	C.R	P	label	status
hyp	ET	<--	EO	0.78	0.12	6.76	***	X_path	significant
	EX PER	<--	ET	-0.28	0.11	-2.50	0.01	Y_path	significant
	Parameter		Estimate	Lower	Upper	P	status		
Ha. 2.2	indirecttest2		-.216	-.51	-.03	.02	significant		

Table 4.14(b) indirect effects of exploitative innovative capability

Source: AMOS output

The mediating role of both exploratory and exploitative innovative capability was studied. The analysis investigated the effect of the two mediators on the relationship between EO and EP. According to Rungtusanatham et al. (2014), there are two approaches of hypothesis for mediation, segmentation and transmittal approaches. For *segmentation approach*, three hypotheses should be developed. Independent variable's effect on mediator; mediator's effect on outcome variable and the mediation effect. The *transmittal approach*, requires a single hypothesis stating that mediator mediates the relationship between independent and dependent variable.

As stated by Baron and Kenny's (1986), to confirm a mediation effect four steps need to be fulfilled.

1. In the absence of mediator, indirect variable significantly affects direct variable.

-
2. Mediator is significantly affected by indirect variable.
 3. The mediator has significant and unique effect on the direct variable, and
 4. The effect of indirect variable on direct variable has to shrink when mediator is added to the model.

One of the limitations of using the Baron and Kenny's method is that all four steps must be significant before mediation can be accepted. If one becomes insignificant it will be concluded no mediation. Such multiple steps are criticized for creating type 1 error (Rungtusanatham et al., 2014).

This causal procedure of Baron and Kenny was criticized by Hayes (2009), suggesting that what matters in mediation analysis is the indirect effect (Hayes & Rockwood, 2016). Preacher and Hayes (2008), suggested a mediation method called "bootstrapping the indirect effect". For testing the mediating effect, a nonparametric resampling procedure, called bootstrapping, has been recognized as powerful and one of the more demanding methods. Hair et al., (2013) also suggested this method for mediation effect. In Bootstrapping, measures of accuracy, including bias, variance, confidence intervals, etc. are assigned to sample estimates.

To see the mediation effect of exploratory and exploitative innovative capabilities on the relationship between EO and EP, as suggested by Hayes and Scharkow (2013), bias-corrected bootstrap confidence interval is used.

According to Baron and Kenny (1986), three step mediation analysis, complete /full mediation holds if the independent variable has no effect on the dependent variable, when the mediator is controlled. However, Partial mediation is given if the independent variable exerts some of its influence on the dependent variable through the mediating variable. Competitive mediation, no mediation and direct only non-mediation fall under a mediation category in Baron and Kenny's approach which may result in rejection. Mediation or non-mediation could occur in the cases listed below.

1. Complementary mediation – is one of the partial mediations in Baron and Kenny's approach and it occurs when both direct and indirect effects are significant and on the same direction.

2. **Competitive mediation** - it is one of the partial mediations that occurs when both the direct and indirect effects are significant but has opposite directions.

3. **Indirect only mediation**- it is full mediation that occurs when only the indirect is significant.

4. **Direct only non-mediation** – this occurs only when direct impact is significant.

5. **No non mediation** - if both the indirect and direct effects are insignificant, it is said no non mediation. This shows a failure for testing mediation.

The study used Preacher and Hayes (2008), suggested mediation method called “bootstrapping the indirect effect.” and Baron and Kenny (1986) three step mediation analysis as an additional.

According to Preacher and Hayes’s (2008) bootstrapping approach, a statistically significant indirect effect ($t\text{-value} > 1.96$, two-tailed, $p < 0.05$) should be taken as an evidence for mediation (Preacher & Hayes, 2004; Zhao et al., 2010).

The above table (table 4.15a & b) indicated that exploratory innovative capability shows complimentary or partial mediation and exploitative innovative capability shows competitive mediation between Entrepreneurial orientation and Export performance. In addition to this it fulfils the Preacher and Hayes’s (2008) bootstrapping approach. In testing a model which has two types of mediation, one complimentary and the other competitive mediation, it is called inconsistent mediation and even though both has indirect effect their sum may not be significant. However, the two mediations sum in this thesis brings about significant indirect effect (Mackinnon et al., 2007).

According to Zhao et al. (2010), competitive and complimentary mediation need to be seen equally since they both point to a theoretically interesting indirect effect. The authors has criticized publishing only those which have complimentary mediation. However, they have noted that if the magnitude of indirect effect is lower than that of the direct one, the result might point the presence of another mediator which is not incorporated in the model.

Direct, indirect and total effects

INDIRECT EFFECT		DIRECT EFFECT	
	ENTREPRENEURIAL ORIENTATION		ENTREPRENEURIAL ORIENTATION
EXPLORE	0	EXPLORE	0.762
EXPOLIT	0	EXPOLIT	0.779
EXPER	0.126	EXPER	0.642

Table 4.15 indirect and direct effect of EO on EP

The total effect of the mediating variables shows that

Total Effects (Group number 1 - Default model)	
	EO
EXPLORE	0.762
EXPOLIT	0.779
EXPER	0.768

Table 4.16 total effect of EO on EP

4.7.1.3 Second order factors of EO

Ha3: Entrepreneurial orientation is a second order factor of five elements

Ha3.1: EO has positive and significant influence on autonomy

Ha3.2: EO has positive and significant influence on competitive aggressiveness

Ha3.3: EO has positive and significant influence on innovativeness

Ha 3.4: EO has positive and significant influence on proactiveness

Ha3.5: EO has positive and significant influence on risk taking

Hypothesis				Estimate	S.E.	C.R.	P	Label
Ha3.1	AUTON	<---	EO	1				Can't be est
Ha3.3	INNOV	<---	EO	0.993	0.16	6.212	***	Significant
Ha3.4	RISK	<---	EO	0.526	0.115	4.584	***	Significant
Ha3.5	PROCOM	<---	EO	0.865	0.137	6.315	***	Significant

Table 4.17 result for hypothesis 3

Source: researcher's Amos output

Note: A p value of less than 0.001, i.e., below 1%, in Amos is indicated by ***

Based on the output in table 4.17, EO is a second order factor of innovativeness, risk taking and procom (proactiveness and competitive aggressiveness) with a coefficient of 0.99, 0.53 and 0.87 respectively. All of them are significant and have P value of 0.000. However, autonomy couldn't be estimated since AMOS needs one of the variables to take a regression weight of one, in order to run the analysis. Therefore, out of the four variables that made EO, three variables, risk taking, innovativeness and procom are first order variables and have significant positive association to the second order variable EO.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

The main objective of this thesis was to examine the relationship between Entrepreneurial Orientation on Export Performance of Ethiopian leather and leather products industry with the mediating role of innovative capability (exploratory and exploitative). The following summary, conclusion and recommendation are made based on the analysis and interpretation done in chapter four.

5.1. Summary of findings

Five research questions were raised in order to achieve the objective this thesis. A total of 251 questionnaires were distributed for employees in leather and leather product industries and above 75% of usable responses were returned. The analysis was done using Structural Equation Modeling (SEM). SPSS 26 and AMOS 23 software were used. Internal consistency measures such as Cronbach alpha, reliability, discriminant and convergent validity, composite reliability and model fit issues were adequately evaluated. Most composite reliability values and AVE calculated in this study met the suggested threshold values. Then Hypothesis testing was done.

Most of the respondents (approximately 60%) were males, which to some extent shows that either the industry favor male or there is an assumption to believe it as male's job. Vast majority of the employees are those in their prime working age according to the Organization for Economic Co-operation and Development (OECD), which puts the range from 25 to 54. In addition to this the industries has well educated and experienced employees. Which takes 76% degree holders and above 4 years' experience. When the age, educational qualification and experience of the employees combined together it enabled the study to be more reliable since it is believed to give more understanding to fill and return the questionnaires.

The models indicated that Entrepreneurial Orientation has significant impact on Export performance in the presence of both explorative and exploitative innovative capabilities and also in the absence of these mediators. The direct effect of EO on EP is greater than the indirect effect. In addition to this, except autonomy, which could not be estimated since it was given a fixed weight of 1.000 in AMOS, 3 dimensions of EO are found to make up a latent variable.

5.2 Conclusion

Based on the analysis of the data and research findings summarized above, the following conclusions and recommendations are given, to provide insight in to the effect of Entrepreneurial Orientation (EO) on Export Performance (EP) and the mediating role of and exploratory and exploitative Innovative capabilities in Ethiopian leather and leather product industries. In order to answer the first two research questions which asks the relationship Entrepreneurial orientation and its dimensions (namely autonomy, innovativeness, risk taking and procom) has with export performance of leather and leather product industries in Ethiopia, the study evaluated direct and indirect effects.

The first and main hypothesis that states that EO has positive and significant impact on export performance of Ethiopian leather and leather products industry was found to be acceptable by the researcher. Entrepreneurial behavior is affected by entrepreneurial orientation of firms which further effects export performance of firms This finding is consistent with other researches. Significant proof for positive performance implication of firms with EO is also shared by previous study of Rauch et al. (2009). In addition to this Monteiro et al. (2017) also has found direct and indirect impact of entrepreneurial orientation on export performance.

The impact of entrepreneurial orientation on export performance was also consistent with the study by Monteiro et al (2019), which supported the positive impact of EO on EP. In another research done by Yoon & Dedahanov (2018), entrepreneurial orientation had significant and positive impact on export performance of firms.

Out of the four dimensions of EO studied in this thesis three of them (except autonomy) has shown positive and significance impact on export performance. The finding on autonomy, which is insignificant, is opposed by other researches. Some researchers claim that autonomy holds positive and significant relationship with performance. Analysis done on the effect of autonomy on performance by Langfred and Moye (2004) revealed a strong and significant relationship between autonomy and performance. The authors even believed that Autonomy will bring freedom to employees, to make choices in the workplace about how to do their job which could bring motivation and that could yield high performance. However the study by Farh & Scott (1983) found that variations in autonomy produced a negative effect on quantity of performance and no

effect on quality of performance. In addition to this, in a study done in Indonesian SMEs, autonomy was found to have no significant relationship to performance Kusumawardhani (2012). The insignificant effect of autonomy on performance found in this thesis needs further study.

One of the dimensions of EO, risk taking, had argumentative results in different studies. According to Kreiser and Davis (2010) taking high level of risk is found to have a counterproductive effect on performance of organizations. Research finding by Begley & Boyd (1987) indicated a curvilinear relationship where risk taking variable increases, performance decreases up to a certain point, after which, both risk taking and performance both increase together. In other study by Hughes & Morgan (2007) even a negative association between the two variables is observed. However, the researcher found risk taking to have a positive and significant effect on export performance of the leather and leather products industry. Rauch et al. (2009) also agree with the finding of this research. Therefore, this study adds to this contradictory discussion concerning the relationship between risk taking and performance. The other EO dimensions has shown positive association to export performance. The results of this research indicated that most of the relationships are as hypothesized.

In addition to the direct impact of EO on EP, in answering the second and third research questions which asks the mediation role of exploratory and exploitative innovation capabilities, the research revealed that both exploration and exploitation mediate the relationship between EO and EP. Exploitative innovative capability shows competitive mediation and exploratory innovative capability shows complimentary mediation between Entrepreneurial orientation and Export performance. EO on its own is only the willingness to be engaged in entrepreneurial behavior, as stated by Wiklund (1999). It is firm's organization towards entrepreneurship. Exploitation and exploratory Innovative capabilities could serve as a way to bridge the relationship between EO and EP. Resources might be allocated to a risky, exploratory innovations or modifications of routine existing processes of a business. Risk taking organizations might highly invest their resources on exploratory innovation.

The concept of risk taking is also reflected here, again. Top level managers in the firm need to decide on the tradeoff which might arise between current and future performance in investing their resources in exploratory innovation which have high risk but better outcome and exploitation,

which allocates resources in to routine business where they might be needed. However, the mediating impact of exploitative innovation capability, which is competitive mediation, shows the presence of another mediation which is not studied in this research.

In terms of testing second order variables, entrepreneurial orientation indicated that with the exception of proactiveness, which as stated above, could not be estimated since it was given a fixed weight of 1.000, the remaining three first order variables have significant positive association with second order variable(EO).

5.3. Recommendations

Countries like China even though they have inadequate raw material supply have very large production of leather footwear, garments, upholstery, and other leather products. The European country, Italy, has strong innovation capacity but highly depend on imported raw materials like The Republic of Korea UNIDO (2010).

According to the study for leather and leather products industry to compete in the international market firms need to develop more of offensive and aggressive posture when dealing with customers. In addition to this by leaving the old rigid way of making business firms need to promote new and innovative products and ways of serving customers.

Firms need to increase innovative products and services which could help the firm take aggressive moves against their competitors, even though they are risky, and help the firm reach its target. Leather and leather product industries not only need to maintain their status quo but also they need to explore the resources and opportunities to get a good appearance that will help them consider investing in risky projects which has a chance of high return. They also need to explore anticipated changes in future market conditions ahead of their rivals to use every opportunity they might get.

Technology also play a major role in export performance of the leather industries. In addition to incentives given for exporters companies also need to see the option of joint venturing. Therefore, leather and leather products industry in Ethiopia need to have EO and also need to explore opportunities to maximize their profitability and play the major role they are supposed to play in balancing the country's trade balance

The finding showed that export performance of firms is increased when Entrepreneurial spirit is nurtured. However, Entrepreneurial Orientation in its own might not be enough in order to compete and gain the lines share of export performance in today's world. Firms might fail to undertake corresponding activities to enhance their performance. Therefore, they should ensure that existing EO develops into actual entrepreneurial behavior, that is, exploratory innovations. Radical innovation measures needs to be taken both for present and future performance. Times also might come when firms are expected to trade off between current performance and future viability. (Kreiser and Davis, 2010; Brazeal & Herbert, 1999; Rauch et al. 2009).

Since the result obtained in these thesis has insignificant relationship between Autonomy and performance, emphasis need to be given when employees are encouraged to independently develop new business ideas and carry them through to completion and be self-directed in pursuit of business opportunities in target markets. Employee's freedom might also bring an adverse impact on firm's performance. The competition firms are facing is all around the globe. Therefore, adopting an offensive and aggressive posture by promoting innovative products is inevitable for firms export performance. Resources need to be allocated to both short term and future prospects.

Subsequently, competition in the globe is very high. The leather and leather products industry need to be alert and should search for new markets in addition to retaining what it has. They should take well calculated risks that could bring tremendous result. Firms can never be certain about their future existence unless they anticipate and change their way of doing things ahead of their competitors, since the environments are rapidly changing.

5.4 Suggestion for future researches

This thesis as stated in the limitation part has geographical limitations. Therefore, future researches are suggested to fill this gap. In addition to this the thesis used tanneries, shoe factories and other leather and leather products as one for this study. Hence, other researchers are advised to see the impact of EO in each one of the industries. Since the degree of entrepreneurial orientation of the industries may differ from sector to sector. Secondly, among the dimensions of EO autonomy couldn't be estimated, because of the character of the software (AMOS) used for this research. As a result, it shall be examined in future researches. Finally the insignificant relationship between autonomy and export performance needs to be studied again; since the researcher could not find

enough justification for it. On the other hand, since the result has pointed the need for additional/ other mediation which are not incorporated in the model future researches should focus on other mediating variables.

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APPENDICES

APPENDICES

A) Questionnaire

QUESTIONNAIRE

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MSC PROGRAMME

Dear respondents,

This questionnaire is designed to collect data from leather industries in Addis Ababa: for the study of **“The Impact of Entrepreneurial Orientation on export Performance: the mediating role of Exploitative and Exploratory innovation Capability”**. The purpose of the study is for the partial fulfillment of the requirements of **M.Sc Degree in Management** from Addis Ababa University, College of Business and Economics. Your cooperation in providing genuine answers to the following questions is highly important for the success of this study. Your responses will be used only for academic purpose otherwise it will be kept confidential.

Thank you in advance for your cooperation!

Part I: Demographic Questions

Respondent profile

- *Writing your name is not necessary.*
- *Put tick mark “✓” for each question as required.*

1. Sex

☐

Male

☐

Female

2. Age

☐

Below 25

☐

25 – 35

☐

36 - 50

☐

above 50

3. How long you worked in the leather industry?

1-3 4 – 6 7 - 9 above 9 years

4. Highest educational level?

Diploma Degree Post-graduate

5. Industry

Tannery Shoe industry other leather pro/Ind

Part II: Research Questions

To which extent do you agree or disagree with the following five-point scale statement?

(1= strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree)

No	Entrepreneurial orientation	1	2	3	4	5
1	Staff behaves autonomously in business operations.	1	2	3	4	5
2	Employees are encouraged to independently develop new business ideas and carry them through to completion.	1	2	3	4	5
3	Employees are encouraged to be self-directed in pursuit of business opportunities in target markets.	1	2	3	4	5
4	We typically adopt an “outperform-the-competitor” response in our target markets.	1	2	3	4	5

5	We adopt an offensive (vs. defensive) posture when dealing with competitors.	1	2	3	4	5
6	Our actions toward competitors can be termed as aggressive.	1	2	3	4	5
7	We promote new, innovative products/services in our business.	1	2	3	4	5
8	Our business provides technological leadership in developing new products/services.	1	2	3	4	5
9	We constantly experiment with unique new processes and methods of production to seek unusual, novel solutions.	1	2	3	4	5
10	We seek to exploit anticipated changes in future market conditions ahead of our rivals.	1	2	3	4	5
11	We look forward to seize initiatives whenever possible in our target market operations.	1	2	3	4	5
12	We act opportunistically to shape the business environment in which we operate.	1	2	3	4	5
13	Our business, in general, tends to invest in high-risk projects (with chances of high returns).	1	2	3	4	5
14	Our business shows a great deal of tolerance for venturing into the unknown.	1	2	3	4	5
15	Our business strategy is characterized by a tendency to commit resources into projects with uncertain outcomes.	1	2	3	4	5
No	Innovation capability	1	2	3	4	5
1	We look for novel technological ideas by thinking “outside the box.”	1	2	3	4	5
2	We base our success on our ability to explore new technologies.	1	2	3	4	5
3	We create products or services that are innovative to the firm.	1	2	3	4	5

4	We look for creative ways to satisfy our customer's needs.	1	2	3	4	5
5	We dynamically risk entering new market segments.	1	2	3	4	5
6	We actively target new customer groups	1	2	3	4	5
7	We commit to improve quality and lower cost. .	1	2	3	4	5
8	We continuously improve the reliability of our products and services.	1	2	3	4	5
9	We increase the level of automation in our operations.	1	2	3	4	5
10	We constantly survey existing customers' satisfaction.	1	2	3	4	5
11	We fine-tune what we offer to keep our current customers satisfied.	1	2	3	4	5
12	We penetrate more deeply into existing customer base.	1	2	3	4	5
	Export performance	1	2	3	4	5
1	Our sales volume from international business operations has increased over time	1	2	3	4	5
2	Our market share from international business operations has increased over time	1	2	3	4	5
3	Our profitability from international business operations has increase over time	1	2	3	4	5
4	Our market access from international business operations has increased over time	1	2	3	4	5
5	We have developed a better brand image in our international business operation	1	2	3	4	5
6	We have developed a better know-how in relation to our international business operation	1	2	3	4	5

B) Selected leather and leather products industries

NO	NAME	PRODUCT TYPE	LOCATION
1	Batu tannery	Finished leather	Around kadisco paints
2	Ethiopia tannery	Finished leather	Former kadisco adebabay
3	Elico tannery	Finished leather	saris
4	Walia tannery	Finished leather	Around kadisco paints
5	Peacock shoe factory	shoes	Former kadisco adebabay
6	Ramsay shoe factory	shoes	Former kadisco adebabay
7	Tikur abay shoe factory	shoes	winget
8	Chiban leather products	Other leather goods	18 mazoria
9	Universal leather products	Other leather goods	Saris
10	Pittards	Other leather goods	Former kadisco adebabay

C) Rotated component matrix

Rotated Component Matrix ^a							
	Component						
	IC ET	E P	IN N O	EO PC	IC E R	E O A	E O R
We commit to improve quality and lower cost. .	.85						
We continuously improve the reliability of our products and services.	.79						
We increase the level of automation in our operations.	.78						
We constantly survey existing customers' satisfaction.	.78						
We fine-tune what we offer to keep our current customers satisfied.	.75						
We penetrate more deeply into existing customer base.	.73						
Our sales volume from international business operations has increased over time		.82					
Our market share from international business operations has increased over time		.79					
Our profitability from international business operations has increase over time		.75					
Our market access from international business operations has increased over time		.73					
We have developed a better brand image in our international business operation		.72					
We have developed a better know-how in relation to our international business operation		.71					
We promote new, innovative products/services in our business.			.81				
Our business provides technological leadership in developing new products/services.			.74				

We constantly experiment with unique new processes and methods of production to seek unusual, novel solutions.			.72				
We typically adopt an “outperform-the-competitor” response in our target markets.(EOC1)			.57				
We adopt an offensive (vs. defensive) posture when dealing with competitors.				.86			
Our actions toward competitors can be termed as aggressive.				.79			
We seek to exploit anticipated changes in future market conditions ahead of our rivals.				.58			
We act opportunistically to shape the business environment in which we operate.				.50			
We look for novel technological ideas by thinking “outside the box.”					.81		
We base our success on our ability to explore new technologies.					.78		
We dynamically risk entering new market segments.					.58		
We actively target new customer groups					.52		
Employees are encouraged to independently develop new business ideas and carry them through to completion.						.74	
Employees are encouraged to be self-directed in pursuit of business opportunities in target markets.						.66	
Employees are encouraged to independently develop new business ideas and carry them through to completion.							.86 6
Employees are encouraged to be self-directed in pursuit of business opportunities in target markets.							.83 6
Extraction Method: Principal Component Analysis.							
Rotation Method: Varimax with Kaiser Normalization.							
a. Rotation converged in 6 iterations.							

D) Total variance explained

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.247	33.054	33.054	10.247	33.054	33.054	5.167	16.667	16.667
2	3.630	11.710	44.763	3.630	11.710	44.763	4.424	14.270	30.937
3	2.173	7.008	51.772	2.173	7.008	51.772	2.829	9.127	40.064
4	1.612	5.199	56.971	1.612	5.199	56.971	2.680	8.644	48.708
5	1.524	4.915	61.886	1.524	4.915	61.886	2.569	8.287	56.996
6	1.285	4.144	66.030	1.285	4.144	66.030	2.100	6.773	63.768
7	1.180	3.807	69.837	1.180	3.807	69.837	1.881	6.068	69.837
8	.898	2.896	72.733						
9	.875	2.824	75.557						
10	.775	2.500	78.057						
11	.718	2.318	80.375						
12	.675	2.178	82.552						
13	.556	1.794	84.347						
14	.511	1.650	85.996						
15	.486	1.567	87.563						
16	.434	1.400	88.963						
17	.397	1.282	90.245						
18	.382	1.232	91.477						
19	.345	1.113	92.590						
20	.312	1.085	92.911						
21	.318	1.025	93.615						
22	.305	.983	94.598						
23	.281	.907	95.505						
24	.270	.871	96.376						

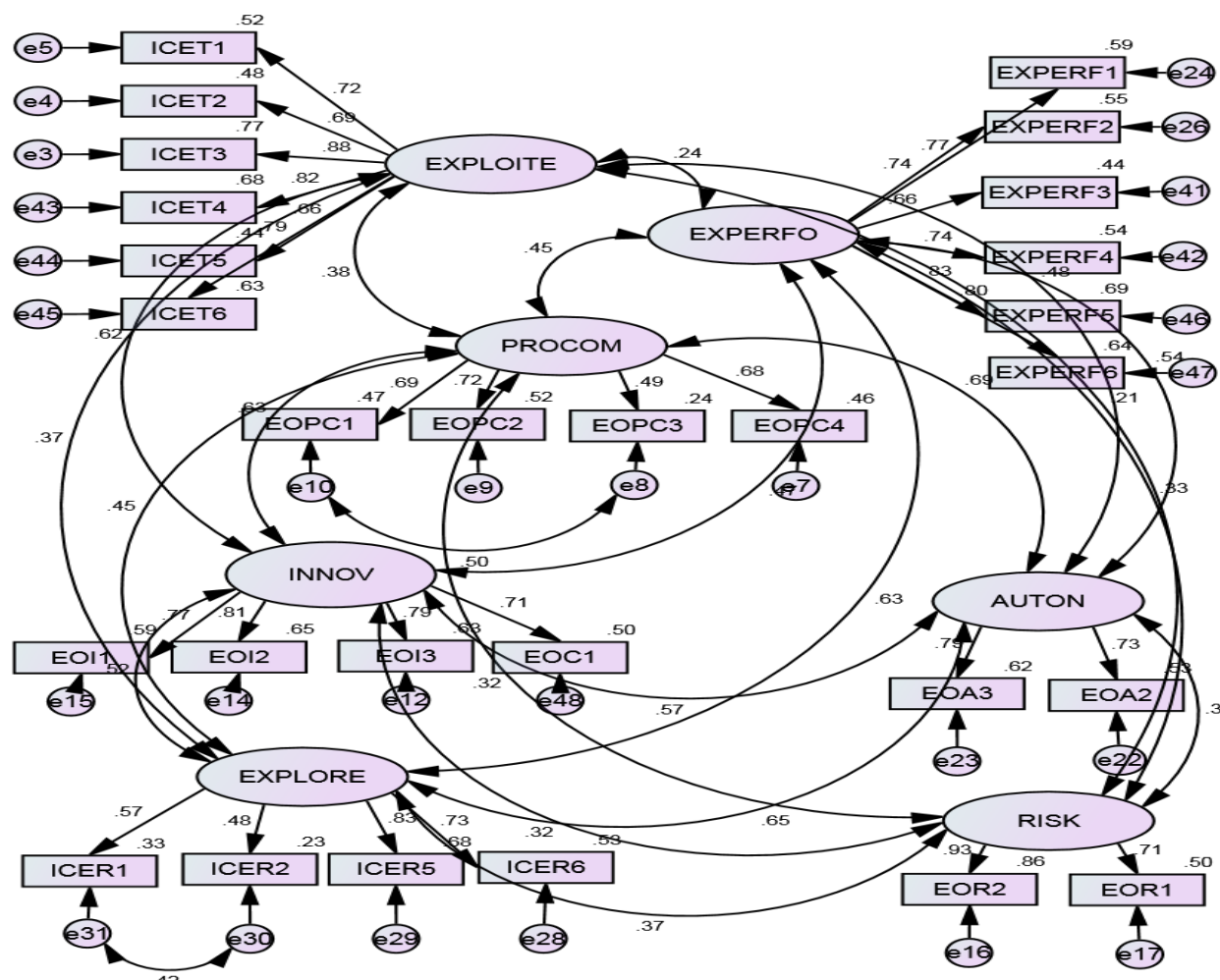
25	.230	.743	97.119						
26	.192	.619	97.738						
27	.162	.521	98.259						
28	.148	.478	98.737						
29	.134	.433	99.170						
30	.131	.422	99.592						
31	.126	.408	100.000						
Extraction Method: Principal Component Analysis.									

E) Communalities

Communalities		
	Initial	Extraction
EOA1	1.000	0.603
EOA2	1.000	0.670
EOA3	1.000	0.710
EOC1	1.000	0.632
EOC2	1.000	0.793
EOC3	1.000	0.567
EOI1	1.000	0.735
EOI2	1.000	0.740
EOI3	1.000	0.782
EOP1	1.000	0.658
EOP3	1.000	0.586
EOR1	1.000	0.800
EOR2	1.000	0.795
ICER1	1.000	0.714
ICER2	1.000	0.643
ICER3	1.000	0.844
ICER4	1.000	0.704
ICER5	1.000	0.716
ICER6	1.000	0.615
ICET1	1.000	0.688
ICET2	1.000	0.645
ICET3	1.000	0.751
ICET4	1.000	0.766
ICET5	1.000	0.636
ICET6	1.000	0.682

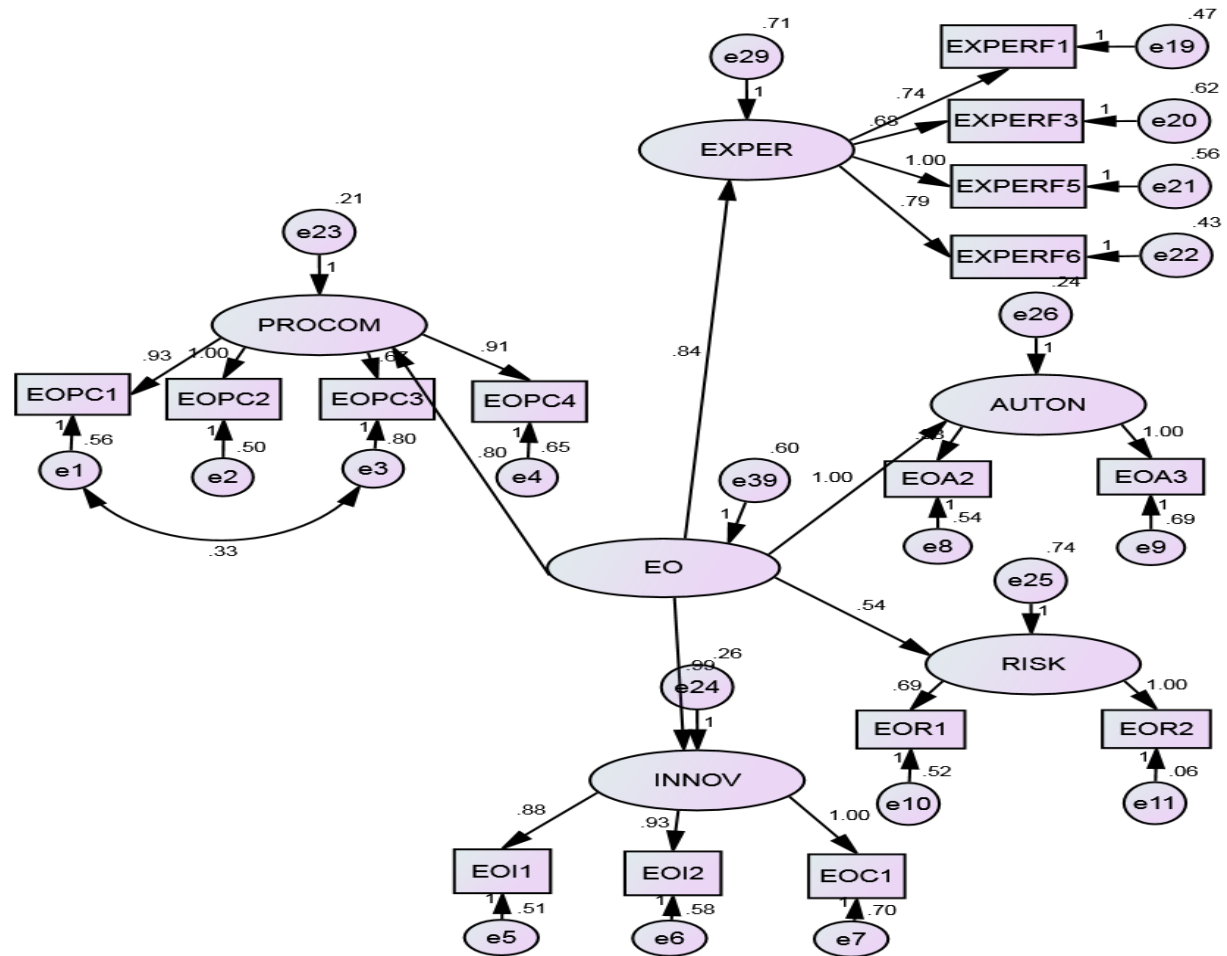
EXPERF1	1.000	0.643
EXPERF2	1.000	0.610
EXPERF3	1.000	0.623
EXPERF4	1.000	0.844
EXPERF5	1.000	0.757
EXPERF6	1.000	0.695
Extraction Method: Principal Component Analysis.		

F) CFA Model 1 with GOF



Chi square		Absolut Fit		Incremental		Parsimony fit test	
		Indices		Fit Indices			
X ²	893.5	RMSEA	0.091	CFI	0.83	PCFI	0.72
(P value)	P-VAL (0.000)						
Df	329	RMR	0.095	IFI	0.83	PNFI	0.65
X ² /df	2.72	CMIN/DF	2.55	TLI	0.80	GFI	0.77

G) Structural model for without mediating variable (Model 4) with GOF



Chi square		Absolut Fit		Incremental		Parsimony fit test	
		Indices		Fit Indices			
X ²	174.4	RMSEA	0.076	CFI	0.92	PCFI	0.74
(P value)	P-VAL (0.000)						
Df	84	RMR	0.069	IFI	0.92	PNFI	0.69
X ² /df	2.07	CMIN/DF	2.07	TLI	0.90	GFI	0.90

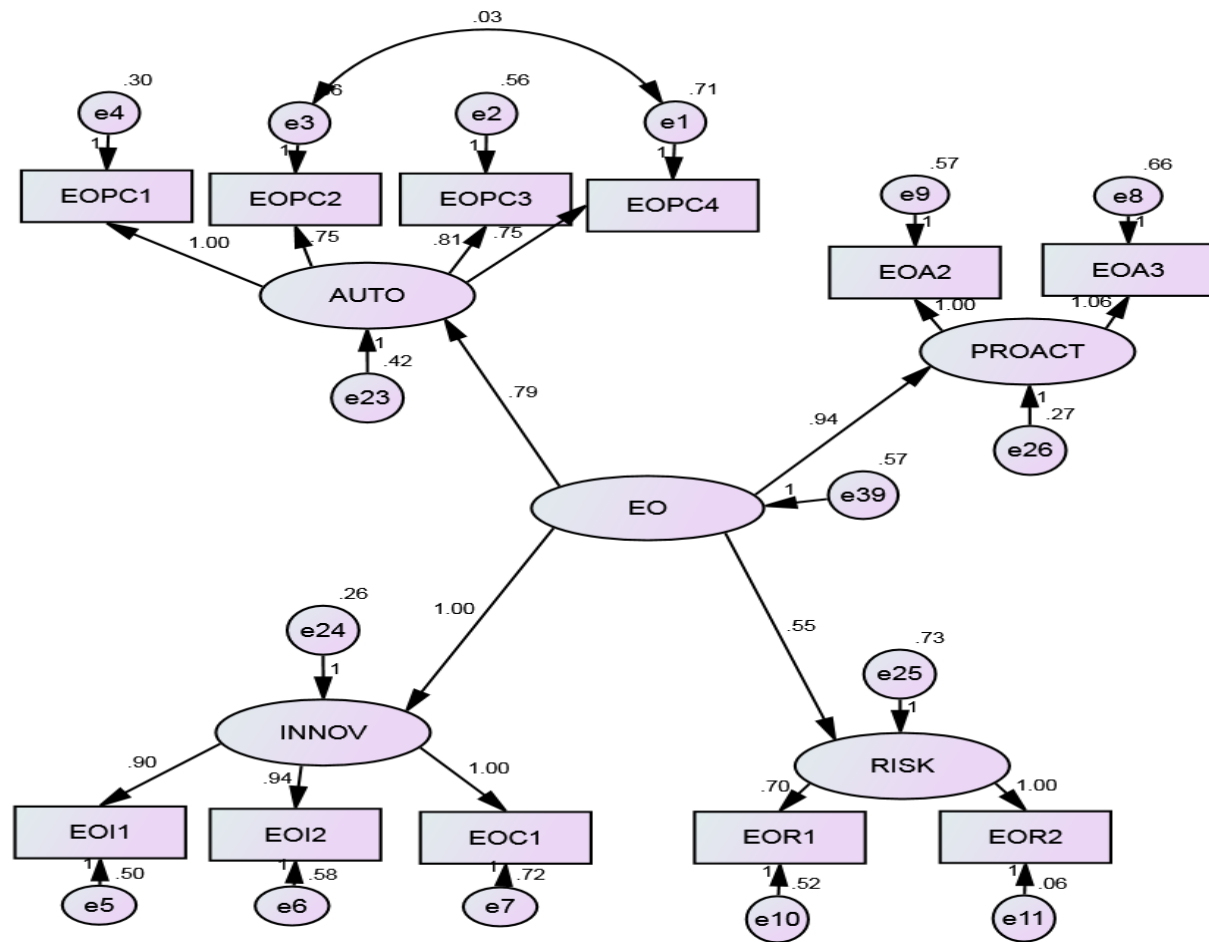
H) Convergent validity

ITEM		VARIABLE	ESTIM	S.E.	C.R.	P	SMC	COMMENT
EOPC1	<---	PROCOM	0.65	0.115	5.638	***	0.42	Con. validity holds
EOPC2	<---	PROCOM	0.918	0.12	7.636	***	0.84	Con. validity holds
EOPC3	<---	PROCOM	0.918	0.118	7.804	***	0.84	Con. validity holds
EOPC4	<---	PROCOM	0.708	0.078	9.087	***	0.50	Con. validity holds
EOI1	<---	INNOV	0.811	0.086	9.376	***	0.66	Con. validity holds
EOI2	<---	INNOV	0.883	0.091	9.694	***	0.78	Con. validity holds
EOC1	<---	INNOV	0.957	0.083	11.591	***	0.92	Con. validity holds
EOR1	<---	RISK	0.737	0.14	5.275	***	0.54	Con. validity holds
EOR2	<---	RISK	0.926	0.097	9.558	***	0.86	Con. validity holds
EOA2	<---	AUTON	0.86	0.082	10.47	***	0.74	Con. validity holds
EOA3	<---	AUTON	0.956	0.088	10.921	***	0.91	Con. validity holds
ICER2	<---	EXPLORE	0.71	0.087	6.104	***	0.51	Con. validity holds
ICER5	<---	EXPLORE	0.957	0.078	12.284	***	0.92	Con. validity holds
ICER6	<---	EXPLORE	0.924	0.1	9.228	***	0.85	Con. validity holds
ICER1	<---	EXPLORE	0.655	0.09	7.243	***	0.43	Con. validity holds
ICET2	<---	EXPLOITE	0.725	0.076	9.605	***	0.53	Con. validity holds
ICET3	<---	EXPLOITE	0.93	0.071	14.367	***	0.86	Con. validity holds
ICET4	<---	EXPLOITE	0.8	0.068	11.831	***	0.64	Con. validity holds
EXPERF1	<---	EXPERFO	0.739	0.069	10.785	***	0.55	Con. validity holds
EXPERF3	<---	EXPERFO	0.674	0.072	9.382	***	0.45	Con. validity holds
EXPERF5	<---	EXPERFO	0.79	0.083	12.929	***	0.62	Con. validity holds
EXPERF6	<---	EXPERFO	0.783	0.07	11.186	***	0.61	Con. validity holds

I) Discriminant validity

			Estimate	
EXPLOITE	<-->	PROCOM	0.36	Discriminant validity holds
EXPLOITE	<-->	INNOV	0.68	Discriminant validity holds
EXPLOITE	<-->	RISK	0.20	Discriminant validity holds
EXPLOITE	<-->	AUTON	0.48	Discriminant validity holds
EXPLOITE	<-->	EXPERFO	0.22	Discriminant validity holds
EXPLOITE	<-->	EXPLORE	0.41	Discriminant validity holds
PROCOM	<-->	INNOV	0.71	Discriminant validity holds
PROCOM	<-->	RISK	0.32	Discriminant validity holds
PROCOM	<-->	AUTON	0.70	Discriminant validity holds
PROCOM	<-->	EXPERFO	0.43	Discriminant validity holds
PROCOM	<-->	EXPLORE	0.45	Discriminant validity holds
INNOV	<-->	RISK	0.40	Discriminant validity holds
INNOV	<-->	AUTON	0.67	Discriminant validity holds
INNOV	<-->	EXPERFO	0.49	Discriminant validity holds
INNOV	<-->	EXPLORE	0.56	Discriminant validity holds
RISK	<-->	AUTON	0.37	Discriminant validity holds
RISK	<-->	EXPERFO	0.31	Discriminant validity holds
RISK	<-->	EXPLORE	0.36	Discriminant validity holds
AUTON	<-->	EXPERFO	0.55	Discriminant validity holds
AUTON	<-->	EXPLORE	0.65	Discriminant validity holds
EXPERFO	<-->	EXPLORE	0.62	Discriminant validity holds

J) Structural model for second order variables (model 5) with GOF



<i>Chi square</i>		<i>Absolut Fit Indices</i>		<i>Incremental Fit Indices</i>		<i>Parsimony fit test</i>	
X ²	99	RMSEA	0.079	CFI	0.92	PCFI	0.65
(P value)	P-VAL (0.000)						
Df	51	RMR	0.07	IFI	0.92	PNFI	0.62
X ² /df	2.5	CMIN/DF	2.5	TLI	0.89	GFI	0.91