



**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND
ECONOMICS**

**DEPARTMENT OF INTERNATIONAL BUSINESS
POST GRADUATE PROGRAM**

**DETERMINANTS OF COFFEE EXPORT PERFORMANCE:
THE CASE OF ETHIOPIAN COMMODITY EXCHANGE.**

BY

ABIOT GEDAY

APRIL, 2022

ADDIS ABABA, ETHIOPIA

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**BY
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of the thesis advisor Lakew Alemu (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Date

LETTER OF CERTIFICATION

This is to certify that Abiot Geday has carried out the research work entitle: - Determinants of Coffee Export Performance: The Case of Ethiopian Commodity Exchange under my guidance and supervision. Accordingly, I assure that his work is appropriate and standard enough for the submission in partial fulfillment of the requirement for the award of Masters of Science.

Confirmed by: - Lakew Alemu (PhD) Signature -----Date-----

Research Advisor

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Abstract

The purpose of this study was to examine the effect of export determinants on coffee export performance: The case of ECX, Addis Ababa. The study was adopted mixed research approach and particularly explanatory research design was applied. For this purpose, the researcher has taken 115 respondents and Self-administer questionnaire and Interview guide were used to gather primary data. The collected data were analyzed by using SPSS-Version 20. The data analysis used both descriptive and inferential statistics. The descriptive statistics such as frequency, percent, mean and standard deviation were used for describing the demographic characteristics of respondents and the whole perception of respondents on items/questions of both dependent and independent variables. The inferential statistics like Pearson correlation and multiple regressions were used to show the relationship between independent and dependent variables and to determine to what extent independent variables influence the dependent variable. The findings of the study indicated that, export market strategy, firm characteristics, management characteristics, foreign and domestic market characteristics were found to have a positive and significant effect on coffee export performance at ECX and coffee export performance is positively and significantly correlated with the independent variables (both internal and v external export determinants). Finally, the study recommended that ECX management bodies should address all subjects/issues related to both internal and external export determinants in accordance with the current business situations and interest of the customers; these again enhance the coffee export performance in terms of coffee sales volume, coffee export market share as well as foreign currency earnings to the country's economic development and also this helps to create market opportunity to farmers/coffee producers.

Key words: Coffee Export Performance, Export Determinants, External Environment, Internal Environment.

Acronyms

ANOVA	-----	Analysis of Variance
CEP	-----	Coffee Export Performance
DMC	-----	Domestic Market Characteristics
ECX	-----	Ethiopian Commodity Exchange
EMS	-----	Export Marketing Strategy
FC	-----	Firm Characteristics
FMC	-----	Foreign Market Characteristics
MC	-----	Management Characteristics
SD	-----	Standard Deviation
SPSS	-----	Statistical Package for Social Science

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Exporting is an important activity from both a national and a company perspective. It is critical for national economies because of the significant contributions it makes to employment, investment, trade balance, and economic growth (Samiee and Walters, 1990). Exporting also helps firms achieve competitive advantage through improved financial position, increased capacity utilization, higher technological standards and enhanced business performance (Lages and Montgomery, 2004).

According to Zou and Stan (1998) as cited in Reis and Forte (2010), found that export performance can be measured in three ways: financial, nonfinancial and composite scales. Financial measures are more objective and include sales, profit and growth. On the other hand, nonfinancial measures are considered more subjective and include measures of success, satisfaction and goals. Composite scales are based on the results of a set of performance measures. Also Sousa (2004), in his literature review, classifies export performance measures in objective and subjective, indicating that researchers resort to subjective measures when managers are unable or unwilling to provide financial data of their firms. The former are based on numerical values, while the latter refers to measures of perception and attitude.

In addition, Reis (2010), export performance determinants are generally grouped into internal factors and external factors. According to Zou and Stan (1998), the internal determinants are justified by the resource based theory while the external determinants are justified by the theory of industrial organization. On the one hand, according to Sousa (2008), the foreign market characteristics and the domestic market characteristics are considered external factors. Zou (1998) also mention two characteristics of the industry (such as, technological intensity and instability). On the other hand, the export marketing strategy, the firm's characteristics, as well as the characteristics of the firm's management are considered internal factors (Sousa, 2008).

Although there are some studies on the performance of agricultural exporting firms, most of the studies are related to macro-level rather than firm level behavior. As a result, there is a lack of firm-level research that would help Ethiopia agricultural exporting firms to develop their own competencies and to export strategically. The consumer perspective of agricultural marketing posits that, since competition in the contemporary global environment is increasingly based on differentiated products and services, agricultural firms have to change from a traditional focus on comparative cost advantage

and develop specific competencies and marketing strategies to compete in an increasingly demanding international market (Aksoy and Kaynak, 1994; Bianchi and Garcia, 2007).

The export performance literature has long been characterized by under use of theoretically well-grounded conceptual models in hypothesis development and testing (Cavusgil and Zou, 1994; Sousa, Martinez-Lopez and Coelho, 2008; Zou et al., 1998). Much of the literature on agricultural export performance does not specify any theoretical basis used in the study (e.g., Aksoy et al., 1994; Bianchi et al., 2007).

The earlier studies examined the antecedents of export performance using Industrial Organization Theory (IO) (Aaby et al., 1989; Cavusgil et al., 1994). IO theory contends that internal (i.e. firm and product characteristics) and external (i.e. market and industry characteristics) factors determine the firm's competitive strategy, which in turn determines export performance (Morgan, Zou, Vorhies, and Katsikeas, 2004). In contrast, some studies have relied on a Resource-Based View (RBV), arguing that the principal determinants of a firm's export performance are its internal organizational resources (Barney, 1991). In fact, these two theories can be integrated to establish the interplay between firms' resources and capabilities, competitive strategy and the export market characteristics in determining performance outcomes (Calatone, Kim, Schmidt and Cavusgil, 2006; Morgan, Zou, Vorhies, and Katsikeas, 2003).

The Ethiopian Commodity Exchange (ECX) is entrusted with broad objective of modernizing the Ethiopian agricultural market by providing a quality service and there by attaining overall economic growth. It is also expected to provide a centralized marketing mechanism in which transactions are carried out publicly through a physical trading floor or electronic system or both and to create an efficient, transparent and orderly marketing system which addresses the interest of all stakeholders including buyers, sellers and intermediaries and small scale producers (Bose, 2009). ECX aims to fill the gap created by missing institutions and infrastructure in agricultural commodity markets and it had been performing these four basic functions: reduce transaction costs, ensure price transparency and price discovery by creating a secure and reliable system for handling, grading and storing services for commodity transactions, promote risk-free payments and provide a goods delivery system to settle transactions (Gabre-madhin, 2001).

This research attempts to fill the gap identified above by developing a comprehensive model which emphasizes on firm-level behavior and explains the determinants and measures of export performance

for ECX. In the model, export performance is determined by factors concerning the farm's internal environment factors and external environmental factors.

1.2 Statement of the Problem

Coffee has been growing in Ethiopia for thousands of years, in the forests of southeastern Ethiopia. It is perfectly adapted to the climate. This is the immense advantage that Ethiopia has over all other coffee-producing countries. Coffee is an important commodity in the world economy, accounting for trade worth approximately US\$ 16.5 billion in calendar year 2010, when some 97 million bags of 60 kg (5.8 million tons) were shipped (Behailu, 2016).

The Ministry of Trade (MoT) has reported coffee exports of the country to be 939,325tn from the total planned 1.4 million tons in the five years of the first GTP. This generated a four billion dollar income for the country while the plan was 5.2 billion dollars. In the first year of the GTP, 2009/10, the plan was to export 302,264tn of coffee which decreased to 288,857tn in the following year. Planned exports continued to fall up to 2014/15. Among the 55 export destinations of the country's coffee, Germany took the lead with 254,977tn in GTP I, generating revenue of one billion dollars. Second was Saudi Arabia with 146,308tn and 595,131 dollars in volume and value respectively. Coffee is the major source of foreign currency in Ethiopia and it contributes more than 35 % of the total export earning of the country MoARD (2009) cited by Tadese (2015).

For many countries, coffee exports not only are a vital contributor to foreign exchange earnings, but also account for a significant proportion of tax income and gross domestic product (International Coffee Organization, 2011). According to ICO data of share of coffee in total exports by value, 2005–2010, Ethiopia is the third next to Burundi. This also show that Ethiopia have a significant contribution in supplying coffee to the world market and also have significant contribution to the foreign currency earning to the country.

The Ethiopian Commodity Exchange (ECX) is designed to be a marketplace where buyers and sellers meet to trade, assured of quality, quantity, delivery and payment. It will control a system of daily clearing and settling of contracts. It will improve market efficiency by operating a trading system where buyers and sellers use standardized contracts. Market transparency will be accomplished by distributing market information in real time to all market players. However, Commodities exchange play vital role in marketing agricultural outputs and improving the return for the primary producers (Bethlehem Girma, 2009).

Most of the coffees were transported from the coffee-growing areas of Ethiopia to the central market in Addis Ababa for sorting, inspection and grading. Currently, under the ECX, warehouses and information communication systems are transmitting daily coffee prices in an attempt to enhance spatial market integration. Despite trade being strictly prohibited within the Ethiopian coffee market, several studies (Goodwin and Piggott, 2001; Barrett and Li, 2002; Lohano and Mari, 2006) have concluded that this spatial trade and arbitrage could be a primary mechanism for ensuring spatial integration. This would signal the possible gains in transferring excess demand and supply between potential markets. However, the Ethiopian Government's motivation for prohibiting the spatial trade of coffee between different coffee-producing regions was to protect coffee quality and to prevent adulteration between different coffee types.

Market reforms intend to enhance the bargaining power of the coffee producers to enable them to receive a better price and to improve their welfare. The ECX started selling coffee as a commodity, with different varieties being sold in bulk. Coffee marketed through ECX is not traceable to the producer once it leaves the farm gate. Yet, traceability may add value by enhancing product differentiation (Leung, 2014). The traceable coffee chains are managed through cooperatives which could improve the bargaining power of the producers, incentivize production and reduce transaction costs. Interestingly, these cooperatives imply a level of integration at horizontal level at the same time of vertical market integration (Lazzarini, 2001).

As Mechal (2013) explained in his study, over the 1991-2011 period (EPRDF governance), the value of coffee export earning of Ethiopia showed a positive growth by 7.5 percent annually. Some 60 percent of this growth was explained by the increase in the volume of coffee exported that grew by 4.5 percent; and 40 percent by increase in coffee prices that rose by 3 percent annually. Although, Mechal (2013) studied on coffee exports: development performance, challenges and prospects analyzed in general Ethiopian level, in his study was ignored to identified sector level coffee export performance and their determinants. Likewise, some researches that reviewed by the researcher (Behailu, 2016; Tizta, 2017; Demeke, 2018; and Sisay, 2019) have been undertaken on coffee exporting performance focusing on a national level and other public institutions (Ethiopian trading Business Corporation).

In addition, up to the knowledge of the researcher, in the previous no empirical research was undertaken specifically at ECX, with full coverage of current conditions. Moreover, most of the previous studies on coffee export performance have employed descriptive analysis and simple statistical methodology. As a result, there is a lack of research that would help ECX to know to what

extent each internal and external variables contribute to coffee export performance; this helps the coffee export firms like ECX to develop their own competencies and export strategies.

The coffee export industry also highly competitive and characterized by many experienced exporters is involved as well as the entrants also increasing from time to time and entering the market. Therefore, the researcher wants to assess the current practices of coffee export determinants; examine the relationship of coffee export determinants and coffee export performance and also determine to what extent each determinants impact coffee export performance; these enhance the Ethiopian Commodity Exchange (ECX) to improve the overall coffee export performance. Based on the findings, the ECX should take action and fulfill the gap and enhance the export performance of coffee in terms of foreign currency, export market share and coffee export sales volume. These existing problems and empirical evidences caused this research with the purpose of examining the effect of coffee export determinants on coffee export performance between 115 sample respondents and 5 key informant interviewees. Thus, this study began from the understanding of the need to effectively administer the effect of coffee export determinants on coffee export performance at Ethiopian Commodity Exchange, Addis Ababa.

1.3 Research Questions

To achieve the intended objectives as well as the research problem stated above, the following questions were designed.

- o What are the importance and significant effect of marketing strategy on coffee export performance at Ethiopian Commodity Exchange?
- o How does firm characteristics impact on coffee export performance at Ethiopian Commodity Exchange?
- o What are the importance and significant effect of management characteristics on coffee export performance at Ethiopian Commodity Exchange?
- o How does foreign market characteristics impact on coffee export performance at Ethiopian Commodity Exchange?
- o How does domestic market characteristics impact on coffee export performance at Ethiopian Commodity Exchange?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of this study was to examine the effect of export determinants on coffee export performance in Ethiopian Commodity Exchange.

1.4.2 Specific Objectives

The specific objectives of the study were:

- o To determine to what extent marketing strategy contribute to coffee export performance at Ethiopian Commodity Exchange.
- o To find out to what extent firm characteristics contribute to coffee export performance at Ethiopian Commodity Exchange.
- o To examine to what extent management characteristics contribute to coffee export performance at Ethiopian Commodity Exchange.
- o To determine to what extent foreign market contribute to coffee export performance at Ethiopian Commodity Exchange.
- o To determine to what extent domestic market contribute to coffee export performance at Ethiopian Commodity Exchange.

1.5 Significance of the Study

The purpose of conducting this study was to examine the effect of coffee export determinants on coffee export performance in Ethiopian Commodity Exchange; and also to provide useful information about relationship of export determinants and the coffee export performance. This would help to show the possible measures that must be taken by the government to avoid problems relating to the performance of coffee export and to indicate appropriate alternatives for the Ethiopian Commodity Exchange coffee export profitability and sustainability. The research findings could be an important input to the Ethiopian Commodity Authority to implement the necessary adjustments and improvements based on the recommendations of the study.

1.6 Scope of the Study

The scope of this study was delimited. The geographical scope of this study focuses in Ethiopia. The study covers the effect of export determinants (both internal and external factors including: export marketing strategy, firm characteristics, management characteristics, foreign and domestic market characteristics) on coffee export performance at Ethiopian Commodity Exchange. Among the Ethiopian Commodity Exchange trading activities and export, the study focused on coffee export only which it brings a high amount of foreign exchange to the country's economy. The study is focused and selected on export purposively by the individual researcher. Methodologically, based on purpose of the study, this study was used explanatory research design and mixed research approach. As well, based on time dimension, this study was used cross-sectional survey; hence data were collected from the sample

respondents those were selected through simple random sampling technique at the same time at one point in time and the respondents involved in this study were 115 permanent employees of Ethiopian Commodity Exchange.

1.7 Limitation of the study

This academic research achieved its objectives; however, some limitations were identified. The major limitation of this study was it covered only one commodity (coffee) and the findings cannot generalize other export commodities more updated contribution regarding to the effect of export determinants on export performance at Ethiopian Commodity Exchange. The other big challenge at the time of data collection was (covid-19) that made the respondents felt uncomfortable and others were simply not bothered. However, the data were collected nearby the respondents and the collected data through the distribution of questionnaires and interview guide were adequate to safely conclude about the effect of export determinants on coffee export performance at Ethiopian Commodity Exchange.

1.8 Organization of the Study

The study consisted of five chapters. The first chapter was dealt with background of the study, statement of the problem, research questions and research objectives, significance of the study and scope of the study. The second chapter was addressed review of related literatures. Chapter three discussed the research methodology which contains: research design and approach, population of the study, sample size and sampling techniques, data sources, data collection tools, data collection procedures, data analysis method and ethical consideration. Chapter four of the thesis is the analysis of the data, results and discussions of findings of the study. The data presented is statistically treated in order to cover the relationship of the variables involved in the study. And the last chapter is comprised of three sections: Summary of the findings, conclusions and the recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

In this chapter, the researcher reviewed different sources of literature related to the coffee export determinants and coffee export performance theoretical, conceptual and empirical reviews that help the researcher to understand and identify the problem being studied more appropriately. The review includes basic issues like: Industrialization theory, resource-based view, Internationalization process theory, Customer perspective on agricultural marketing, what is export and exporter, agricultural exporting in Ethiopia, overview of coffee buying system in ECX, export performance determinants, export performance, export performance measures and conceptual frame work.

2.1 Theoretical Review

2.1.1 Industrialization theory

The initial export performance literature adopted an economic perspective using Industrial Organization (IO) theory or Structure-Conduct-Performance framework (SCP). Such a framework suggests that competitive advantage and superior export performance are derived from a firm's ability to respond successfully to the interplay of internal and external forces to meet the firm's objectives, by developing and implementing an appropriate marketing strategy (Aaby et al., 1989).

According to Cavusgil et al. (1994) the major application of IO theory to exporting is framework clarifying that export performance is determined by the arrangement between export marketing strategy and the internal and external environments of the firm. In their model, export performance was determined mainly by export marketing strategy and some internal organizational factors such as the firm's international competence and managerial commitment. Likewise, Zou et al. (1998), IO theory emphasize market and industry environmental factors, with external factors largely determining the firm's marketing strategy, which in turn determined export performance.

2.1.2 Resource-based view (RBV)

With regards to the RBV, resources are key determinants of competitive advantage and performance (Wenerfelt, 1984) and Behailu (2016). The RBV focuses on the particular characteristics of firms that contribute to competitive advantage and value creation. There has also been export performance research relying on a resource based view (RBV), arguing that firms gain competitive advantage by leveraging internal resources and capabilities (Vorhies and Schlegelmilch, 2006).

According to Zou et al. (2003) and Behailu (2016), the RBV was developed in a domestic market context, it had been posited that the framework also applies in export markets. The RBV paradigm

posits that a firm's export performance is based on a unique bundle of resources including all firm assets, capabilities, organizational processes, attributes, information, experience, knowledge, and technology (Zou et al., 2003; Morgan et al., 2004). To sum up, the resource base view argues that the bundle of a firm's resources is the principal source of the firm's competitive advantage.

2.1.3 Internationalization process theory

(Johanson and Weidersheim-Paul, 1975; Johanson and Vahlne (1977) developed a theory about the continuous process that takes place in firms that enter foreign markets. The two key terms in their theory are "knowledge" and "commitment". Knowledge obtained in and about foreign markets, driving the decision to commit more resources to those markets. These decisions are implemented and the increased commitment enables the company to continue gathering improved knowledge that drives the commitment. After these two logical steps that feed back into each other, companies increase their international operations consistently.

International activities require both market specific knowledge and general knowledge. Knowledge of the operations could be transferred from one country to another, whereas market-specific knowledge is assumed to be gained mainly through experience in the market. A direct relation between market knowledge and market commitment was postulated (Anderson, 1993).

2.1.4 Customer perspective on agricultural marketing

According to Bianchi et al. (2007), international agricultural marketing, the comparative advantage from being resource abundant may not be sufficient in a globalized context since competition is increasingly based on differentiated products and services. In terms of international competition, innovation to develop products with added value, targeting specific and differentiated market segments, understanding customer demand and improving productivity as well as quality, has become increasingly important for agricultural businesses seeking to maintain their competitive advantage (Hawkins, 2010).

Singh (1996) suggested that the "factors that are likely to play a very crucial role in international marketing for agribusiness firms are market knowledge, commitment, decisions, international success strategic actions, biotechnology and informational technology". Likewise, Mizzi (1993) suggested that, despite their cost-effectiveness, commodity-oriented agricultural firms were undergoing change inspired by a more demanding and differentiated food consumer. As a result, agricultural firms should emphasize the discovery of consumer preferences and the adaptation of product attributes in response to consumer demand rather than relying solely on price considerations.

2.2 Conceptual Review

With the increasing trend of globalization, the arena of market and competition for an enterprise has expanded from domestic markets to the international markets. However, the position of SMEs as an important player in international markets is now well recognized. Various researchers investigating about how firms perform in exporting have identified a lot of factors as determinants and measures of export performance. These determinants and measures have been classified differently; however, a major classification has been as controllable and uncontrollable. The controllable determinants and measures are internal firm-level and uncontrollable are external environmental determinants and measures (Aaby et al., 1989). In this the researcher focuses on the factors that are classified as firm-level controllable and uncontrollable determinants and measures which influence the coffee export performance of ECX.

2.2.1 What is export and exporter?

According to the Wikipedia online dictionary (2015), export is a function of international trade whereby goods produced in one country are shipped to another country for future sale or trade. The sale of such goods adds to the producing nation's gross output. If used for trade, exporters are exchanged for other products or services. Exports are one of the oldest forms of economic transfer, and occur on a large scale between nations that have fewer restrictions on trade, such as tariffs or subsidies.

Based on Wikipedia 2015, the term export means shipping the goods and services out of the port country. The seller of such goods and services is referred to as an exporter and is based in the country of export whereas the overseas based buyer is referred to as an importer. As well, Shoham (1996) offered a simple conceptual definition that "export performance refers to the outcome of exporting products and services into foreign markets". Although, growing body of literature has addressed the issue but still there is no evenly accepted conceptual and operational framework (Cavusgil et al., 1994; Shoham, 1998).

Sousa (2004) has identified about 50 dimensions of export performance measure which are classified as subjective and objective measures of export performance. However, Leonidou, Katsikeas and Samiee (2002), have identified that export proportion of sales or export intensity, export sales growth, export profit level, export sales volume, export, market share, and export profit contribution are mostly used measures of export performance. Cavusgil and Nevin (1991) provided a comprehensive definition of exporting as "the marketing related decisions and activities of firms which are engaged in international business" and the measure of export performance is explained as follows:

Export performance of a firm reflects a firm-specific behavior in leveraging its resources and capabilities in an international context at a given point of time. Firm export performance is regarded as one of the key indicators of the success of a firm's export operations and as such, it has been an extensively studied phenomenon. Numerous studies have been conducted pertaining to provide better understanding of the factors (firm-or environment-specific) and behaviors (e.g. export strategy) that make exporting a successful venture.

2.3 Empirical Review

2.3.1. Evolution of Commodity Exchanges

The commodity exchange is a development of the fairs and open-air markets of the middle ages. The Chicago Board of Trade, opened in 1848, was the first commodity exchange in the United States and is the largest today. Organized commodity exchanges have a long history. Grain traders in Japan began experimenting with the idea in 1730, and the Chicago Board of Trade (CBOT) and the London Metal Exchange successfully launched their operations in 1864 and 1877, respectively. For more than a century, commodity exchanges remained largely confined to industrialized nations.

However, with market liberalization and increasingly affordable information technology since 1990, commodity exchanges have mushroomed around the world. By 2005, non-OECD countries accounted for more than 50 percent of the agricultural futures and options traded in the world and a majority of the world's functional commodity exchanges are located outside of the North America and Europe (UNCTAD, 2007). Growing interest in commodity exchange from government and donors in Africa is a clear reflection of need for commodity risk management. Because international markets remain volatile and domestic markets are thin and fragmented, risk management is critical for commodity sector development.

With the dismantling or weakening of marketing boards and the unsatisfactory performance of international commodity agreements (ICAs), governments and their development partners have increasingly looked to commodity exchanges as an alternative for managing risks in a liberalized market environment. There have been many donor-supported initiatives to establish commodity exchanges in developing countries, but very few have succeeded. In Africa, five countries launched agricultural commodity exchanges shortly after market liberalization in the 1990s, but only South Africa succeeded in making its exchange sustainable. Despite initial signs of success, Zambia and Zimbabwe suspended their operations following unusual price hikes and subsequent government intervention.

Other exchanges established in the 1990s include the Kenyan Agricultural Commodity Exchange (KACE) which no longer support actual trades but exist with donor support and the Uganda Commodity Exchange (UCE) which does coordinate trades but not been able to attract sufficient trade volumes to be self-sustaining. Since 2004, more and more countries have been launching exchanges notable ones include Malawi in 2004, Nigeria in 2006, the Ethiopian Commodity Exchange (ECX) in 2008 and the new Zambian exchange, ZAMACE, established in 2007.

A commodity exchange is an institutional response, at a basic level to the fundamental problem of achieving self-coordinating market order in the trade of agricultural products, which by their nature, are risky. One of the world's largest and oldest commodity exchanges, the Chicago Board of Trade, was established in 1848 by 82 grain traders in what was then a small Midwestern town, in conditions not too different from that of Ethiopian agriculture today, in response to a bumper harvest when farmers who went to Chicago and could not find buyers had to dump their unsold cereal in Lake Michigan. This strikes a hauntingly familiar chord for those who recall that Ethiopian farmers left grain tarot in the fields in 2002 as prices collapsed. The challenges that US markets faced 150 years ago were not much different from what they face today, or what Ethiopian markets face today: to coordinate the exchange of grains and livestock produced across dispersed locations and dispersed producers to major markets hundreds of miles away (Tafara, 2005).

Thus, a farmer would agree with the trader on a price to deliver a certain quantity of grain at a future time. The deal was advantageous to both parties in that the farmer knew in advance his market price and the trader knew his costs. As these contracts common, they began to be used as collateral against bank loans and began to exchange hands before the physical delivery itself. Thus, a farmer might pass on his obligation to deliver to another farmer, with the price going up or down depending on what was happening in the market. As these "forward contracts" became common over a 15 year period, CBOT introduced in 1865 a standard contract known as a "futures contract" with a pre-specified delivery date and a margin requirement to act as a performance bond. This innovation reduced the risks and costs associated with negotiating forward contracts on an individual basis (stiglitz, J.E., 1974).

Alongside these developments, CBOT was chartered officially by the state in 1859 (a decade after first opening), and therefore mandated to set standards of quality, product uniformity, and undertake routine inspections of the grain traded in the exchange, in order to maintain the integrity of the market. It was not until 1922, some 74 years after the Chicago market first opened, that the government established the Grain Futures

Administration as a regulatory body to oversee the expanding grain market, it was not until 1967 that CBOT began the electronic display of market prices, reducing the price reporting time to seconds. What is salient from this quick historical overview is that the Chicago market was established and evolved to resolve the real problems of transaction costs and risks faced by farmers in the market and the need to coordinate the exchange of agricultural goods across actors, across space and time. It is also important to note that state regulation, increasing in scope as the market grew, followed the market rather than led it (UNCTAD Report, 2009).

Following the sweep of market liberalization across the globe, emerging exchanges are rapidly growing in developing or transition countries to fill the gap left by marketing boards and fixed price systems. There are currently more than 100 of these exchanges across developing countries: 28 in Latin America (15 of them in Brazil), more than 20 in Asia, 3 in Africa, 4 in Eastern Europe, and several in Russia (UNDP Report, 2006). Most of these exchanges have been created since 1992.

The Ethiopian government has organized ECX authority through proclamation in order to eliminate market related problems and to facilitate transparent, efficient, and innovative marketing system to protect the interests of both producers and consumers. ECX's model is the first of its kind in Africa with its end-to-end integrated system of central trading, warehousing, product grade certification, clearing, settlement, delivery, and market information dissemination (MoFED, 2009).

Furthermore, ECX started live trading on April 24, 2008. It provides a market place where buyers and sellers can come together to trade and be assured of quality, delivery, and payment. The exchange is a private-public undertaking with capital investment from its main promoter, Government of Ethiopia, and membership seats privately owned by trading and intermediary members. The Exchange is jointly governed by a private-public board of directors and managed professionally by an internationally recruited team.

Gabremedhin and Ian Goggin, (2005) before the establishment of the ECX found that the Ethiopian grain markets faced some constraints such as; lack of sufficient market coordination between buyers and sellers, the lack of market information, the lack of trust among market actors, the lack of contract enforcement and the lack of grades and standards, implies that buyers and sellers operate within narrow market channels, that is, only those channels for which they can obtain information and in which they have a few trusted trading partners and their concluding showed that establishing of a commodity exchange will eliminate constraints that the Ethiopian commodity market faced.

Poorly instituted modes of production (Zewdu et al., 2010), high marketing costs (Rashid et al. 2010), volatile prices (Gemech and Struthers, 2007), inadequate market infrastructure (Rashid et al. 2010, Gabre-Madhin, 2009), and an unorganized commodity marketing approach (Gabre-Madhin, 2009; Gemech and Struthers, 2007) are indicators of market inefficiency that significantly limit coffee growers' share from the value of exports and total earnings from the sector.

Tollens (2006) in his study cited that the absence of easily accessible market information for farmers or small traders leads to lack of market transparency, low bargaining power of the buyers and sellers, low and highly variable prices due to market inefficiency, coexistence of surplus and deficit areas due to weak spatial integration of markets, high risks, low produce quality and high losses, high transaction costs and insufficient production to satisfy consumer demand.

According to Gideon (2010) quality of warehouse and storage management skills tends to be highly variable in most African countries. Improving professional skills in the warehousing industry is necessary if storage losses are to be kept at a minimum. Similar training and capacity building is required to enable traders and processing companies to utilize the WRS in cost effectively managing their inventories.

According to the study made by Alemu et al (2010) limited availability of international market information in terms of prices and production levels, which is reflected in poor linkage / transmission of price trends with the national market, is expected to be another challenge considerably affecting the competitiveness of the Ethiopian sesame in the international market and this is expected to create disincentives for sesame exporters to engage in the sesame market through ECX.

In addition Celeste Aida (2010) found that Internet and telecommunications in the ECX are still quite deficient (sometimes non-existent) to disseminate information to the participants. And as it is explained by Francesconi (2009) his study “Lack of capital, remoteness, poorly developed roads and telephone lines are only some of the barriers that keep farm households far away from markets, and therefore from the potential benefits of the ECX”. Gideon O.E (2010) found that Liquidity in the agricultural trade can be enhanced if lenders aversion to the provision of inventory finance is addressed through the development of credible warehouse system which allows stored commodities to be used as collateral for loan.

Sarkar and Tozzi (1998), suggest that although open outcry systems were more effective to trade highly active contracts, electronic trading has the potential to enhance operational efficiency and reduce costs. In contrary to the above Zabolina (2001), found that electronic trading systems reduce spreads while

open outcry systems have higher market quality due to smaller variance of pricing error and higher information content. Information content is measured by studying the bid-ask spreads in response to trades. In addition according to Robin Thomas (2008) Electronic trading leads to reduced price movement, then it would lead to lower volatility and hence lower risk in the market. Shahidur et al (2010) found that Countries with successful exchanges have far more developed communications and/or transportation infrastructure than countries with less successful exchanges and the researchers added that the real challenge in African commodity exchange is not the development of grades but the enforcement of contracts that use those goods.

2.3.2 Overview of Coffee Buying System

Coffee may be purchased in Ethiopia through one of three main channels: from exporters and private estates. Exporters generally purchase their coffee through the Ethiopian Commodities Exchange (ECX). Private estates that hold their own export license may sell and export directly to international buyers. Coffee lots of Ethiopia's many primary cooperatives are generally channeled through one of the four cooperative unions.

Exporter/ECX:-The Ethiopian Commodities Exchange incorporates a trading platform for coffee and as cooperative unions and directly from private estates. Addendum 2 contains a comprehensive list the name implies, it deals in several commodities, not just coffee. The basic function of the ECX is to provide a centralized, standardizing body where agricultural goods and futures can be traded.

The ECX was originally designed with commodities like wheat, maize, and haricot beans in mind, with an eye towards helping to stabilize prices and production, get better prices for farmers, and help the agriculture sector function more efficiently. Coffee was added as one of the crops under the umbrella of the ECX in late 2008, replacing the old "auction system" in Ethiopia. The auction system had been often criticized for being unfair and for leading to misrepresentation and price manipulation of various coffees.

All coffee that enters the ECX is given a grade and a geographical designation. Grades are based on physical inspection of lots and on cupping. 1 is the highest grade, and 9 is the lowest. Geographical designations are given at the "sub-regional" level, more specific than large regions like Harrar or Sidama, but less specific than the particular farm, village or woreda level. Once coffee is graded, it is stored at an ECX warehouse to prevent tampering, and coffee is bid on and sold to exporters. Starting in 2010, under the purview of the ECX, there is also an auction called the Direct Specialty Trade auction, or DST. This auction sells top-quality coffees through a special DST auction platform, but

while maintaining the traceability of the lots. So far, very little coffee is sold this way, but it is an option which may grow more influential in the future.

Cooperative Unions:-Most farmers in Ethiopia hold and work very small parcels of land. Over the years, farmers (with the help of the government) have formed local cooperatives and pool their coffee to create lots large enough for export. Usually these primary cooperatives have their own washing or drying station, though sometimes they use that of someone else. Coffees produced at the cooperative level are not required to pass through ECX. The co-ops, representing the hands that farmed the coffee, are considered owners of their own product, unlike commercial exporters who buy and sell coffee. However, cooperatives generally work through a cooperative union, which functions as an intermediary.

2.3.3 The determinants of export performance

As exporting has been the most popular mode of international market entry, investigation of the determinants of export performance has been an important topic of international marketing research. Therefore, several review and meta-analysis studies synthesizing the determinants of export performance are available. One of the earlier attempts to review the research on export performance was conducted by Aaby et al. (1989). They reviewed 55 empirical studies from 1978 to 1988, and proposed that the determinants of export performance were based on management influences, which were grouped into firm characteristics, firm competence, and export strategy. They also argued that organizational competencies were probably more important than firm characteristics. Beleska-Spasova (2014) numerous internal (firm-specific) and external (environment-specific) factors have been studied in the exporting literature, as potential determinants of the export outcomes with inconsistent and sometimes contradictory findings of their positive, negative or neutral relationship with export performance. Conceptualization and a literature review for all constructs are summarized below.

2.3.3.1 Internal environment factors

This category includes three types of variables namely, “Export marketing strategy”, “Firm characteristics” and “Management characteristics”. The first type is linked with aspects of a firm’s business strategy for export marketing. Commonly used strategies of marketing capabilities include product adaptation, pricing, advertising/promotion adaptation, distribution strategy/channel relationships and strategic decision making by top executives. The second type is related to the characteristics of the firm like its size, technology innovation, international competence, location/access to infrastructure/services, and other firm resources/capabilities. The third type looks at variables related

to the attitudes and perceptions of management. These include among others management's international experience, their level of export commitment and attitude towards exporting, incorporating corporate social responsibility, and perceived export advantages/barriers.

2.3.3.1.1 Export marketing strategy

According to Chugan and Singh (2014), factors related to the export marketing strategy (e.g., product, pricing, promotion, and distribution) have been profusely tested in several studies with positive implications for firm export performance in the most C.T.Cavusgil and Zou, 1994; A.C. Koh, 1991; C.S. Katsikeas, Piercy, C. and Ioannidis, 1996; A. Shoham, 1996; T.Y. Ayan and Percin, S., 2005). Channel relationship has also exhibited positive implications for export performance (C. Karelakis et al, 1998; K.I.N, 2003; C. Lages et al, 2004, L.F.Lages, 2009). Likewise, the level of strategic decision making by the top management also contribute positively to export performance (K.I.N. Ibeh, 2003; J.W. Cadogan, Sundqvist, S., Puumalainen, K. and Salminen, R.T., 2012; J.O. Okpara, 2009) although the magnitude of the impact is contingent on market dynamism implying that enhancing export experience and achieving export decision-making flexibility can contribute to export performance by providing access to a greater number of strategic possibilities (J.W. Cadogan et al, 2012). All these findings were in line Behailu (2016).

2.3.3.1.2 Firm characteristics

According to Chugan et al. (2014), firm size has resulted in mixed effects being related positively (P.K. Chugan, 1998); showing negative (L.E. Brouthers, Nakos, G., Hadjimarcou, J. and Brouthers, K.D, 2009) and also no association with export performance (C.S. Katsikeas, Piercy, C. and Ioannidis, C, 1996). Firms' age again exhibited mixed results being positively (R.K. Gertner, Gertner, D. and Guthery, D, 2006), negatively (S.K. Majumdar, 1997) and not significantly related (F.J. Contractor, Hsu, C. and Kundu, S.K, 2005) to firm export performance. Technology innovation is another important determinant studied. The review asserts that most empirical studies establish a positive relationship between research and development utilization and export performance (R. E. Alvarez, 2004). However, few findings reveal only a weak relationship of R&D use and export performance (L.E. Brouthers et al, 2009).

Firm's international competence influences its export performance is positively supported. O'Cass and Julian, C, 2003). Firm resources and capabilities have also come out as significant determinants of export performance. Ling-yee and Ogunmokun (2001) in their study looked at firm's financial resources and Supply Chain Management capabilities as positive contributors towards firm export

performance. Similarly, Morgan et al (N.A. Morgan, Kaleka, A. and Katsikeas, C.S, 2004) asserts that firm resources and capabilities affect competitive strategy and positional advantage which in turn influences the performance of export venture. A comparatively lesser researched aspect is firm's location and access to infrastructure/services. In this regard the study by Freeman et al (J. Freeman, Styles, C. and Lawley, M, 2012) suggests that location is an important antecedent for firm resources and capabilities which in turn explains a firm's export performance.

2.3.3.1.3 Management characteristics

According to Chugan et al. (2014), management characteristics have also been correlated with export performance. Several researchers in their investigations suggest that export performance is influenced positively by the degree of export expertise the management possesses Puumalainen, K. and Salminen, R.T., (2012). Another important variable which shows positive association with export performance is the level of commitment and attitude of the management towards exporting highlighted in the works of Axinn and Thach (1990); and Montgomery (2004); Ayan and Percin (2005) and Shamsuddoha and Ali (2006) amongst others.

Perceived export advantages reflects significant degree of positive association with export performance suggested by the works of Ling-yee and Ogunmokun (2001); Zou, Fang and Zhao (2003) and Karelakis et al (1998) as cited by Behailu, 2016)) whereas, perceived export barriers bears negative relationship with export performance shown by Diamantopoulos and Schlegelmilch (1994). One of the less researched factors in this regard is the level of corporate social responsibility undertaken by the firm's management.

Boehe and Cruz [2010] study contributes to the literature on corporate social responsibility and export performance by developing and empirically validating a model that explains under which conditions corporate social responsibility (CSR-based) product differentiation may lead to improved export performance. The conclusion that can be drawn from the previous literature is that international market knowledge, including both experience-based and information-based knowledge, is regarded as a firm's valuable resource and is critical to the competitiveness and export performance of agricultural exporters.

2.3.3.2 External environmental factors

According to Chugan et al. (2014 and Behailu 2016) review empirical studies that have dealt with the impact of external factors on export performance. It is divided into two subcategories of variables: "Foreign market characteristics" and "Domestic market characteristics".

2.3.3.2.1 Foreign market characteristics

The most important variable in this context is the export market barriers faced by local firms in the foreign markets. These barriers are found to impact export performance of the firms adversely (Al-Hyari et al, 2011). Likewise, the legal political and the socio-cultural environment prevailing in the foreign countries also have association with export performance. The sign of this relationship however differs on the basis of the type of environmental conditions. For instance Ayan and Percin (2005) have found negative relationship for this variable in their study of Turkish exporters while Cadogan et al (2012) and Sousa and Bradley (2008) found the relationship to be positive.

2.3.3.2.2 Domestic market characteristics

Within this category the use of export assistance has been the most prominent variable having significant positive association with export performance (Chugan, 1998; Singer and Czinkota, 1994; Alvarez, 2004; Gencturk and Kotabe, 2001; Shamsuddoha et al, 2006; Marandu, 1995; Francis and Collins-Dodd, 2004; Bonner and McGuinness, 2007; Durmusoglu, Apfelthaler, Nayir, Alvarez, and Mughan, 2012).

Export market barriers existing in the host country also impacts export performance negatively (Carneiro, Rocha, and Silva, 2011). Legal and political environment shows mixed results with positive association with export performance in case where such an environment is conducive for exporting activities (O'Cass and Julian, 2003). Exporters operating in more competitive environments can benefit most from engaging in exports (Cadogan, Sundqvist, Puumalainen, and Salminen, 2012).

2.4 Export performance

Export performance is a multi-dimensional construct as described in the previous section. Export performance measures can be classified into objective and subjective measures. Objective measures are mainly based on the absolute values, while subjective measures are based on perceptual or attitudinal performance. Since it is difficult to clearly segregate export results from corporate results, it has been deemed advisable to use subjective measures (Leonidou et al., 2002). In addition, managers may be unwilling to provide confidential profitability or other information, or be unable to provide objective data (Sousa, 2004). Thus, there are several reasons subjective measures may be suitable: The difficulty of obtaining financial export performance data, managers' unwillingness to provide such information, and the lack of specific export information in financial reports. Subjective data had been shown to be highly correlated with objective data by Dess and Robinson (1984).

They explained that the respondents may in fact provide perceptual (subjective) and relative information even if asked about an absolute figure. This is because the managerial action tended to be driven by perceptions or satisfactions, not by numbers or financial data. In summary, this study measures export performance by using both objective and subjective measures (self-evaluation by respondents). Objective performance is measured by sales growth rate percentage of market share, sales performance according to the plan during the past five years as an approximate percentage.

2.4.1 Measures of export performance

The measure of export performance has been discussed widely in previous research (Shoham, 1998), but there is still no agreement on how to capture the construct adequately. Most researchers have agreed that export performance is a complex construct and it is best conceptualized as a multifaceted concept, thus the use of single item measure is insufficient to capture it (Katsikeas, Leonidou and Morgan, 2000; Shoham, 1998; Rose and Shoham, 2002). As a result, several studies developed multi-item measures of export performance (e.g., Shoham, 1998; Styles, 1998; Zou, Taylor and Osland, 1998) as cited in Behailu (2016). Shoham (1998) developed a conceptualization of export performance empirically using data from 93 Israeli exporters. He defined export performance as a composite outcome of firms' international sales and its operational definition included three sub-dimensions: export sales volume, export profitability and changes in export sales or profitability.

Beleska-Spasova (2014) attainment of successful export performance is at the heart of the strategic decision-making process for both corporate and public policy decision-makers. For companies, the successes of the export performance indicates the extent to which firm's objectives, both economic and non-economic, are achieved in an international context at a given point of time and reflects the suitability of the chosen export strategy in responding successfully to the firm and environmental circumstances. Given that exporting is a strategic choice for a firm, the objectives can vary widely between firms, industries, national contexts and time horizons. Consequently, there is an excess of export performance indicators used in the exporting literature.

An overview of the relevant literature implies that a conceptually sound and reliable export performance measure should fulfill the following criteria: It has to be composite and multidimensional, i.e. to include both objective and subjective measures; it has to have a frame of reference, i.e. to be benchmarked against domestic market performance, competitors performance or prior performance; It has to be assessable over time, i.e. expressed in absolute, as well as relative terms; and it has to reflect the firm's strategic goals at the appropriate level (company, export venture or line of product) and for

an appropriate time horizon (short- term or long-term). To summarize from previous literature, export performance measurement can be broadly categorized by objective and subjective measures. Objective measures consist of financial data on sales, profit, and market share, while subjective measures focus on attitude or perception toward figures, general, and other miscellaneous items.

2.5 Conceptual Framework Model

The conceptual framework for the determinants of export performance of ECX is developed based on an integration of Industrial Organization (IO) theory, the resource-based view (RBV), internationalization process theory, and the consumer perspective on agricultural marketing. Export performance is commonly determined by internal and external factors (Cavusgil et al., 1994; Sousa et al., 2008), where the former are firms' resources and export product strategies, and the latter are external environmental factors.

The framework consists of export determinants as independent variables including (internal factors and external factors). Under internal environment characteristics: Export marketing strategy, Firm characteristics and Management characteristics. Under external environment characteristics: Foreign market characteristics and Domestic market characteristics. Finally, export performance as dependent variable included. It is argued that firms respond to changes in their internal and external environment by formulating deliberate export marketing strategies in order to minimize the adverse impact of environmental changes or to maximize the benefits from such changes on their overall performance (Calantone et al., 2006; Chadee, 2002). Conceptualization and a literature review of all variables are presented below.

Independent variables

Dependent variable

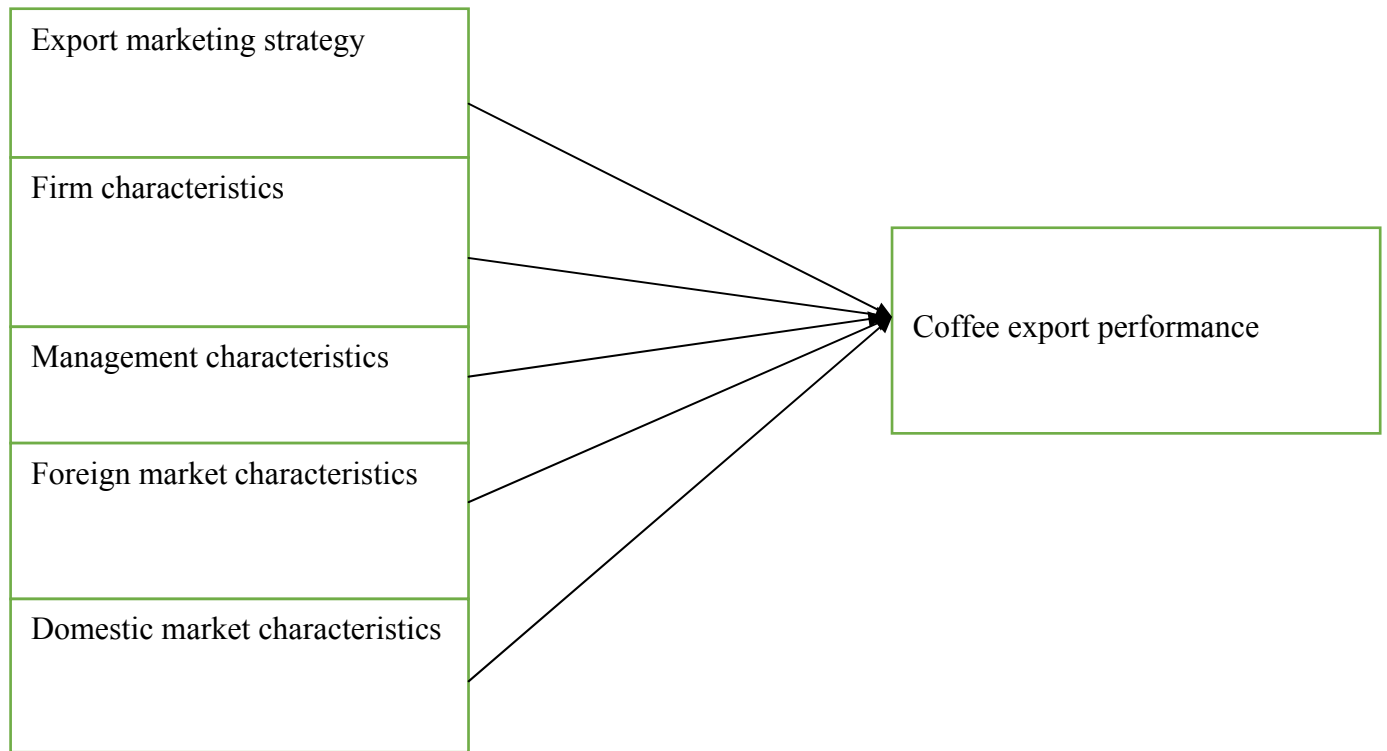


Figure 2.1 Conceptualization of theoretical frame work.

Source: Adopted form Zou and Stan (1998) and Reis and Forte (2010).

CHAPTER THREE

RESEARCH METHODOLOGY

In this chapter, the type of research design and approach, population of the study, sample size and sampling techniques, sources of data, data collection tools, data collection procedures, data analysis method, validity and reliability analysis and ethical consideration which applies on the study are explained.

3.1 Research design and approach

The main objective of this study was to examine the effect of export determinants on coffee export performance at Ethiopian commodity exchange. This research was employed mixed research approach; because using mixed research method could offset the biasness of any single quantitative data (Creswell, 2009). Particularly, explanatory research design was applied; since it enhances the research to examine the effect of export determinants on coffee export performance at Ethiopian Commodity Exchange. Thus, the selected method was appropriate for this study.

3.2. Population of the study

Population can be defined as the whole group of people, events or things of interest that the researcher needs to study (Garson, 2012). So as to perform this study, the first step was to get the total number of population. Currently, there were 162 total employees found in Ethiopian Commodity Exchange as January 2013 E.C. (ECX human resource and development management directorate). Out of 162, thirteen (13) were management bodies and one hundred forty nine (149) were senior and junior permanent experts. Likewise, 93 were male and 69 were female. And the target population was applied in each individual employees of ECX. The study was undertaken so that the researcher was drawn the sample from this total population.

3.3 Sample size and sampling techniques

3.3.1 Sample size

Garson (2012) defined sample size as a sub set of the population drawn to represent the entire population. This is because of the fact that studying a subset of the population is manageable size relative to study the entire population due to time, cost and accessibility. Thus, the sample size was determined so as to represent the whole population. In this study, the sample size was extracted through the use of Yamane's (1967) statistical formula and illustrate as:

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

Where

n = sample size

N = population of the study

e = % level of significance or margin of tolerable error. The researcher considered 5% level of significance or margin of tolerable error and the confidence level is 95%. A 95% confidence is conventionally accepted level for most business research, most commonly expressed by denoting the significance level as $p \leq .05$. By computing the sample size of the population using the above formula, the sample sizes for who receives questionnaires were 115. i.e.

$$n = 162 / 162(.05)^2 + 1 = 115$$

3.3.2 Sampling technique

The study participants who received questionnaire were selected using simple random sampling technique; because the target population is homogeneous. To conduct a simple random sample, the researcher first prepared a comprehensive list of all employees from payroll. From the list, the sample was drawn by using lottery method so that each employee had an equal chance of being selected to participate in the study. As well, 5 management bodies of ECX were selected by the researcher using purposive sampling technique to conduct an interview. This criterion may help the selected respondents answer the survey questionnaire appropriately based on their relevant experiences.

3.4 Sources of data

The study was conducted based on the collection of both primary and secondary data. Primary data were collected through the use of well-structured and self-administered questionnaire that contains relevant questions regarding export determinants and coffee export performance at ECX. The questionnaire used to allow the response of the respondents in a standard and direct way, unbiased approach and objective oriented. In the meantime, face to face interview also undertaken with 5 management bodies of ECX to get their perceptions about the export determinants and coffee export performance at ECX. Likewise, secondary data were collected from annual reports of Ethiopian Commodity Exchange.

3.5 Data collection tools

3.5.1 Questionnaire

Data were collected through self-administered questionnaires that were prepared based on literature review and adapted from former researches by modifying to fit for this paper to address the research questions. The reason of self-administered questionnaire used is, it helps as a swift and relatively low

cost strategy for obtaining information and easier to answer for the respondents. The questionnaires were distributed after the expected participants were selected and informed about the purpose of the research. The questionnaire involved three parts: section one of the questionnaire contains instruction and respondents' personal information; section two of the questionnaire includes variables which were measured using Likert scale with five response categories (strongly disagree, disagree, neutral, agree, and strongly agree). The last section of the questionnaire was open ended question which was reserved for respondents to write their feelings on the space provided.

3.5.2 Interview guide

In addition to collecting the data through questionnaires, qualitative data collection technique, involving one-to-one interview with 5 management bodies of ECX who were selected based on purposive sampling technique was conducted; hence to supplement and strengthen the information obtained from questionnaires. Before the interview, brief explanation was offered based on the purpose of the interview to the interviewees and confidentiality of the provided information. As the time of interview, the researcher took notes quickly and used easily accessibly recording tools like mobile for sure what the interviewees all talk about. Moreover, the researcher used some useful approaches of interview which include:

- o Using good opening remark: The researcher should briefly give an introduction and state the purpose of the interview describing
- o Establishing Rapport: The researcher must be sensitive to the respondent's status, level of education and understanding
- o Being neutral: The researcher should remain completely neutral during the interview; i.e. Respondents should be told that there is no right or wrong answer and their responses are the only correct ones.
- o Good closing: This is giving explicit recognition for their work: Thank them for their help, appreciate their work in spite of their being busy and that their work will contribute a great deal to the success of the research.

3.6 Data collection procedures

To get full support in overseeing and collecting the data, first contact was made with the Directorate Director of ECX. Following this, respondents who filled out the questionnaire were identified. Then, the respondents were informed about the purpose of the study and how to complete the questionnaire. In addition, during the administration of the questionnaire clarification for some questions was

explained to the respondents so as to avoid doubts and confusions. Then the questionnaires were distributed (drop-off method) to the respondents. The filled out questionnaires were collected (pick-up method) and systematically organized; the same is true the interview responses and secondary data. Finally, the collected data were edited through data cleaning, coding & data verification and were analyzed quantitatively and qualitatively.

3.7 Data analysis method

Githinji Angela (2014), described data analysis as the process of editing and reducing amassed data to a convenient size, developing summaries, looking for patterns and using statistical methods. In order to ensure completeness and logical consistency of responses, data editing was carried out each day by the researcher. Identified mistakes and data gaps were corrected as soon as possible. Once editing the data, the data were analyzed using quantitative techniques. The data which were collected by the researcher were analyzed with the help of the Statistical Package for Social Sciences (SPSS) version 20 and then the researcher produced descriptive statistics such as frequency distribution, percent, mean and standard deviation. And if the respondents' levels of agreeableness are above the cutoff point (3), the decision is taken as positive perception and if the respondents' levels of agreeableness are below the cutoff point (3), the decision is taken as negative perception on coffee export determinants.

The analysis of the study was also used inferential statistics like Pearson's correlation and multiple regressions. The correlation analysis employed to find out the strength of a relationship between two variables; export determinants and coffee export performance. Likewise, the regression analysis was used to establish the effect of coffee export determinants related to coffee export performance. The data which were collected through interview and open ended questionnaire as well as secondary data were analyzed qualitatively and logically interpreted by the researcher in a way to solve the research problem.

3.8 Validity and reliability analysis of data collection tools

The quality of the research instrument was assessed to assure that the instruments consistently measure the constructs that they are intended to measure (Joreskog and Sorbom, 2000, as cited in Behailu, 2016). The quality of the research instruments was examined by assessing the content validity and the reliability of all observed variables and constructs in the model. The content validity was assessed by using Index of Item-Objective-Congruence (IOC) (Rovinelli and Hambleton, 1977) and the reliability was assessed by using Cronbach's alpha to verify the internal consistency of the constructs (Hair et al.,

2006). Content validity means the degree to which a measure covers the range of meanings included within a concept (Babbie, 2007, cited by Behailu, 2016).

Content validity was examined by using Index of Item-Objective-Congruence (IOC) developed by Rovinelli and Hambleton (1977). It is a method for gauging agreement among raters or judges regarding how well items do or do not tap the established objectives. Content validity are validated by the top level management as well as senior experts of the enterprise whom meet the researcher's criteria as the experts who are specialized and having at least three years experiences in coffee exporting business before distribute the questionnaire to the sample. The IOC is used to validate the measurement of all constructs of both dependent variable and independent variables in the model by five managers/experts, specifically the content experts, who come have experience on the sector. The ratings are 1 (item clearly taps objective), 0 (unsure/unclear) and -1 (item clearly does not tap objective). The opinions of each expert are recorded and being calculated for Index of Item-Objective-Congruence (IOC) by this formula:

$$IOC = \Sigma R/N$$

Where R = total sum scores of opinions

N = number of experts

The result is an index ranging from -1 to +1. An index of -1 means all experts completely agree that the items do not tap the researcher's objectives. An index of +1 means all experts completely agree that the items are measuring the researcher's objectives. The results of IOC index are 1.00 for 25 questions and 0.80-0.99 for 3 questions. All of the items are above the cutting criteria at 0.50. Therefore, it can be concluded that all items tap the established objectives and none of the items need to be revised Behailu (2016).

On the other hand, reliability relates to the consistency of collected information. Cronbach's alpha is a coefficient of reliability. It was first named by Lee Cronbach in 1951. Accordingly, reliability analysis runs to check the reliability of the instrument employed in this research and the result presents as follows. As shown in table 3.1 below, the coefficient of reliability for the data collection instrument for all 28 items is 0.928. In this regard, items with a coefficient alpha greater than 0.80 are considered to have a very good reliability Zikmund (2009) and Said Taan (2018).

Therefore, based on reliability test results, the instrument scored acceptable Cronbach's alpha and the instrument is found reliable. As well, the reliability score for the individual items of export determinants and coffee export performance ranges between 0.801 and 0.905. Therefore, based on the

test results as shown below in table 3.1, individual items of the instrument scored acceptable Cronbach's alpha and each items of the instrument found reliable.

Table3.1 Coefficient of reliability for each item

No	Individual Variables	Items in number	Alpha Value
1	EMS	6	0.905
2	FC	5	0.821
3	MC	6	0.801
4	FMC	3	0.839
5	DMC	4	0.828
6	CEP	4	0.868
7	Total Variables	28	0.928

Source: Own survey (2022)

3.9 Ethical Consideration

This research considers serious ethical considerations. By recognizing of this fact the researcher was took all precautions while securing the necessary information for the accomplishment of the project objective. The researcher was took exerted effort to get the consent of the organization under study prior to the collection of the data. All information gotten from the respondents were treated with confidentiality without disclosure of the respondents' identity. Moreover, no information were modified or changed, hence information gotten were presented as collected and all the literatures collected for the purpose of this study were appreciated in the reference list. Since the topic under the research required commodity exchange confidential, proper guidance and confirmation were given to the Ethiopian Commodity Exchange.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter focuses on the analysis of the results of the study. The chapter has two sections. At the first section of the chapter, the demographic profile of the respondents is presented. In the second section, the main part of the study, the analysis and interpretation of data those were collected through questionnaire and interview in support of the quantitative results are presented. Presentation of findings in each section is according to the order of the basic research questions of the thesis. Descriptive and inferential analyses of the study were presented respectively. The data for this study were collected using a self-administered questionnaire and semi-structured interview guide to identified sample respondents. Of the total of 115 questionnaires distributed, 98 were collected that accounts 85.22 % response rate and the rest 17 questionnaires were some of incomplete (9) and others are unreturnable (8). This response rate was adequate to safely conclude on the effect of export determinants on coffee export performance at ECX, Addis Ababa, Ethiopia.

4.1 Descriptive statistics

Descriptive statistics were computed in the form of frequency distribution, percentage, mean and standard deviation for all variables and responses of all respondents. Computed frequency distribution and percent is used to determine the proportion of respondents choosing the various responses. Likewise, computed mean is used to measure the central tendency on each dimension in the questionnaire which implies that the levels of agreeableness and disagreeableness of respondents for each items. And the value of standard deviation indicates that how much variation a value deviates from the mean.

4.1.1 Demographic profile of the respondents

The first part of the questionnaire consists of four items about demographic data of the respondents such as: sex group of respondents, age group of respondents, academic qualification of respondents and working experience of the employees; this helped the researcher to understand the characteristics of respondents with in different categories and the following table summarized the demographic data of the respondents and the discussion of results and implication of the findings.

Table 4.1 Demographic profile of the respondents

No	Items	N=98	Frequency	Percent %
1	Sex of the respondents	Male	56	57.1
		Female	42	42.9
	Total		98	100.0
2	Age of the respondent	18-25	11	11.2
		26-33	32	32.7
		34-41	30	30.6
		42-49	20	20.4
		50 and above	5	5.1
	Total		98	100.0
3	Academic qualification of the respondents	Diploma	4	4.1
		Degree	86	87.8
		2 nd degree or above	8	8.2
	Total		98	100.0
4	Work experience of respondents	1-5 years	19	19.4
		6-10 years	41	41.8
		11-15 years	15	15.3
		16-20 years	17	17.3
		21 and above	6	6.1
	Total		98	100.0

Source- SPSS output of own survey (2022).

As shown in Table 4.1, more than half 56(57.1%) of the respondents were male and the remaining 42(42.9%) of the respondents were female. Even though, the representation of female respondents was found to be less as compared to male respondents, this gender mix was rational to realize about the effect of export determinants on coffee export performance at ECX, Addis Ababa, Ethiopia.

Regarding the age group of respondents, the first group 32(32.7 %) of respondents were within the age category of 26-33 years of age. The second group had 30(30.6%) within the age category of 34-41 years. As well, the third group were 20(20.4%) within the age category of 42-49 years. The fourth

group were 11(11.2%) within the age category of 18-25 years and the last group 5(5.1%) were with in 50 and above years. In sum, the majority 62(63.3%) of the respondents were within the age category of 26-41years; which implies that the majority of the respondents were young and at the dynamic age level, need more conducive marketing environment to enhance coffee export performance.

With regard to academic qualification of the respondents, 86(87.8%) of the respondents were degree holders. The second group 8(8.2%) of the respondents were second degree or above holders and the last group 4(4.1%) of the respondents were diploma holders. This implies that the selected respondents are quite enough to understand and answer easily the survey questionnaire appropriately based on their academics performance.

Regarding the working experience of respondents, the first group of respondents 41(41.8%) had a working years of 6 to 10 years. 19(19.4%) of respondents had worked in ECX between 1-5 years. Likewise, 17(17.3%) of respondents had worked in the commodity between 16-20 years. And the fourth group 15(15.3%) of respondents had worked in the commodity between 11-15 years and the last group 6(6.1%) had a working years of 21 and above. This result implies that, the selected respondents answered the survey questionnaire appropriately based on their waiting years in the organization.

4.1.2 Mean and Standard Deviation of Each Items

In this study, the researcher utilized mean and standard deviation to evaluate the perception of respondents in each responses regarding to export determinants and coffee export performance.

Table 4.2 Descriptive Statistics Results of Export Determinants

Dimensions	Statements	Mean	SD
Export market strategy	There was a capacity of product adaptation	3.13	1.14
	There was a capacity of pricing adaptation	2.68	1.08
	There was a capacity of promotion adaptation	2.72	1.04
	There was a capacity of distribution strategy	2.74	1.01
	There was capacity of channel relationship	2.89	0.96
	There was strategic decision making by top managements to expand export markets over last five years	2.83	0.98
Firm characteristics	The size of the firm benefits ECX for the coffee sales volume & market share	3.06	0.99

	The age of the firm benefits ECX for the coffee sales volume & market share	3.37	0.94
	The level of international competence was advantageous for Ethiopian Commodity Exchange	3.56	1.00
	The firm's financial resources enhances the competitive strategy and positional advantage of ECX	3.36	1.04
	Utilization of R&D considered as a positive contributor of export practices	2.89	1.02
Management characteristics	Managements have international experience in the export business	3.51	0.88
	management's level of commitment and attitude towards exporting is positive	3.60	1.04
	managements incorporating corporate social responsibility	2.69	0.99
	managements perceived export advantages	2.52	0.92
	managements perceived export barriers	2.91	1.04
	The management has advantage on international market knowledge	3.60	0.94
Foreign market characteristics	Export market barriers impact sales volume adversely	3.01	1.08
	Legal and political environments negatively affect the ECX coffee export practices	3.05	1.13
	Socio-cultural environments negatively affect the ECX coffee export practices	2.69	1.19
Domestic market characteristics	The ECX coffee export volume positively associated with the use of export assistances	3.17	1.19
	The ECX coffee export volume negatively related with export market barriers existing in the exporting country	3.63	0.84
	The ECX coffee sales volume positively related with legal and political environments in the exporting country	3.27	1.06
	An ECX operating in more competitive business environments	3.26	1.10

Source- SPSS output of own survey (2022).

As it perceived from the above table 4.2, respondents have recognized positive perception regarding the practices of capacity of product adaptation and the commodity has put in place strategies to expand export markets over the years at the commodity. This is because the levels of agreeableness are above the cutoff point (3). Likewise, respondents have recognized negative perception regarding the practices of capacity of pricing adaptation, promotion adaptation capacity, capacity of distribution strategy, capacity of channel relationship and strategic decision making by top executives in the commodity. This is because the levels of agreeableness of respondents in these items are below the cutoff point (3). This shows that ECX is performing export marketing strategy and its implementation is positively and negatively seen by the ECX employees. This implies that, appropriately performing the export marketing strategy is critically important in today's competitive business environment.

Likewise, respondents have generally recognized positive perception regarding to firm characteristics of the commodity. This means that almost all findings of the study established a positive perception with respect to size of the firm, age of the firm, level of international competence and commodity utilization of research & development, indicating that levels of agreeableness is above the cutoff point. Respondents perceived that the management international experience, managements perceived export barriers and managements perceived export advantages were positive; this is because their level of agreeableness is above the cutoff point (3). And respondents also perceived negatively regarding to the commodities advantage on international market, management's level of commitment & attitude and managements incorporating corporate social responsibility; this is because the respondents' level of agreeableness is below the cutoff point (3). This implies that, the management characteristics need responsiveness for better coffee export performance in volume and value at ECX.

This study also evaluated the foreign market characteristics at ECX and the respondents positively recognized that export market barriers impact export performance adversely and socio-cultural environment negatively affect commodity's coffee export performance; but the respondents negatively perceived that legal and political environment negatively affect commodity's coffee export performance. Likewise, this study assessed the practice of domestic market characteristics at ECX and the respondents have positive attitude regarding to this variable; this implies that, the ECX coffee export volume negatively related with export market barriers existing in the exporting country, the ECX coffee sales volume positively related with legal and political environments in the exporting country, ECX coffee export volume positively associated with the use of export assistances and also ECX operating in more competitive business environments.

Table 4.3 Descriptive Statistics Results of Export Performance

Coffee export performance	The coffee export sales volume was according to the plan of ECX	3.72	0.89
	An ECX coffee export profitability was achieved its expectation	3.78	0.89
	An ECX export market share was satisfactory	3.46	1.04
	There is better perception and satisfaction on coffee export practices	3.52	0.97

Source- SPSS output of own survey (2022).

Finally, the study also addressed the dependent variable, export performance and the finding of the study revealed that respondents believed that they rated the coffee export sales volume, coffee export profitability, export market share and better perception and satisfaction on coffee export practices above average. It is also noted that the standard deviation of each item revealed that although there is some variation among the respondents in perceiving the practices of the internal and external coffee export determinants and coffee export performance in the commodity, the deviation in perception of the respondents is significant, indicating that it is good sign and shows that the management of the commodity is doing great job in implementing sound internal and external coffee export strategies at ECX. These results are in line with Behailu (2016) and Aragaw (2020) who found that, the respondents established a positive perception with respect to both internal and external coffee export determinants, indicating that all respondents levels of agreeableness is above the cutoff point (3). And the results of interviews of management bodies of the Ethiopian Commodity Exchange assured that ECX is tries to properly practicing both internal and external coffee export practices and or strategies, but is better to enhance them for better coffee export performance. This implies that an effective application of coffee export determinants enable the ECX to boost the coffee export performance, but with some degree of deviations among respondents in perceiving the export determinants and export performance.

4.2 Results of Inferential Statistics

4.2.1 Correlation analysis

Correlation was used to find out the relationship between the independent variable (export determinants) and the dependent variable (coffee export performance) as conceptualized in the framework. A correlation coefficient expresses quantitatively the magnitude and direction of the linear

relationship between variables, Pearson correlation coefficient reveal magnitude and direction of (either positive or negative) and the intensity of the relationship (-1 to +1). The researcher used one of the most commonly used types of correlation coefficient which is Pearson correlation coefficient methods because of the statistical accuracy that usually results from this method. The strength of correlation would be interpreted as suggestion by Evans (1996).

Table 4.4 Pearson's Correlation Matrix Analysis

		Correlations					
		EMS	FC	MC	FMC	DMC	CEP
EMS	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	98					
FC	Pearson Correlation	.370**	1				
	Sig. (2-tailed)	.000					
	N	98	98				
MC	Pearson Correlation	.555**	.627**	1			
	Sig. (2-tailed)	.000	.000				
	N	98	98	98			
FMC	Pearson Correlation	.437**	.611**	.676**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	98	98	98	98		
DMC	Pearson Correlation	.268**	.639**	.557**	.636**	1	
	Sig. (2-tailed)	.008	.000	.000	.000		
	N	98	98	98	98	98	
CEP	Pearson Correlation	.254*	.404**	.597**	.488**	.552**	1
	Sig. (2-tailed)	.012	.000	.000	.000	.000	
	N	98	98	98	98	98	98

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

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

Source- SPSS output of own survey (2022).

Table 4.4.1 Total Pearson's Correlation Analysis

		Correlations	
		EDs	CEP
EDs	Pearson Correlation	1	.573**
	Sig. (2-tailed)		.000
	N	98	98
CEP	Pearson Correlation	.573**	1
	Sig. (2-tailed)	.000	
	N	98	98

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

Source- SPSS output of own survey (2022).

As described in Table 4.4, the bivariate correlations show the relative magnitude and direction of a linear relationship among the constructs (Hair et al., 2006). For internal export determinants, the correlation coefficients of EMS and FC are 0.370, with p-value equals to 0.000. The statistical result shows positive correlation and moderately significant at 0.01 significant level. Therefore, the commodity with moderate export market strategy tends to have moderate firm characteristics. The correlation coefficients of EMS and MC as well MC and FC are 0.555 and 0.627 respectively, with p-value equals to 0.000. The statistical result shows positive correlation and strongly significant at 0.01 significant level. Therefore, the commodity with high export market strategy tends to have high management characteristics and the commodity with high management characteristics tend to have high firm characteristics.

In addition, except EMS and CEP have weak correlation of 0.254, with p-value equals to 0.012; CEP has moderate correlation with all internal and external export determinants. Therefore, the ECX with poor export market strategy tends to have low coffee export performance. Likewise, DMC and MC as well as, DMC and FC have strong correlation of 0.557 and 0.636, with p-value equals to 0.000. Therefore, the commodity with high domestic market characteristics tends to have high management characteristics and firm characteristics respectively. For the external environmental factors, FMC and DMC have strong correlation of 0.638 with p-value 0.000. In addition, FMC and CEP have moderate correlation of 0.488 with p-value 0.000. Similarly, the correlation coefficient of DMC and CEP are 0.552, with p-value equals to 0.000. The statistical result shows positive correlation and moderate

significant at 0.01 significant levels. In general, as we have observed from the total correlation analysis above, both internal and external export determinants (EDs) have strong, positive and significant relationship with coffee export performance (CEP) at $r = 0.573$ and p-value equals to 0.000 at 0.01 significant level.

4.2.2 Regression analysis

This section found out how the variation of the dependent variable, coffee export performance (CEP), is explained by a portion variation of the independent variation coffee export determinants (CEDs). In addition, linear regression analysis was used to examine the effect of the independent variables (CEDs) on the dependent variable (CEP). To achieve this, we find the coefficient of determination and test its significance and to determine the regression line and test its slope. The coefficient of determination R^2 shows how much of the variation of the dependent variable (CEP), can be explained by a portion variation of the independent variables (CEDs). Table 4.7 indicates the coefficient of determination R^2 for the linear regression between coffee export determinants and coffee export performance. But the researcher has conducted basic assumption tests before running the regression model. These are normality of the distribution, linearity of the relationship between the independent and dependent variables and multicollinearity tests which have shown below:

Assumption 1: Multicollinearity test

Multicollinearity refers to the situation in which the independent/predictor variables are highly correlated. In this study multicollinearity was checked with tolerance and Variance Inflation Factor (VIF) statistics. Andy (2006) suggests that a tolerance value less than 0.1 almost certainly describes a serious collinearity problem. Burns and Burns (2008) also stated that a VIF value greater than 10 is also a concern. Similarly, Field (2009), underlines that, values for “tolerance” below 0.1 indicate serious problems, although several statisticians suggest that values for “tolerance” below 0.2 are worthy of concern. In this study, all of the independent variables found to have a tolerance of more than 0.1 and a VIF value of less than 10.

Table 4.5 Multicollinearity test results

		Coefficient ^a	
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	EMS	.675	1.481
	FC	.471	2.125
	MC	.400	2.498
	FMC	.426	2.348
	DMC	.484	2.065

a. Dependent variable: Export performance

Source-SPSS output of own survey (2022).

Assumption 2: Normality distribution test results

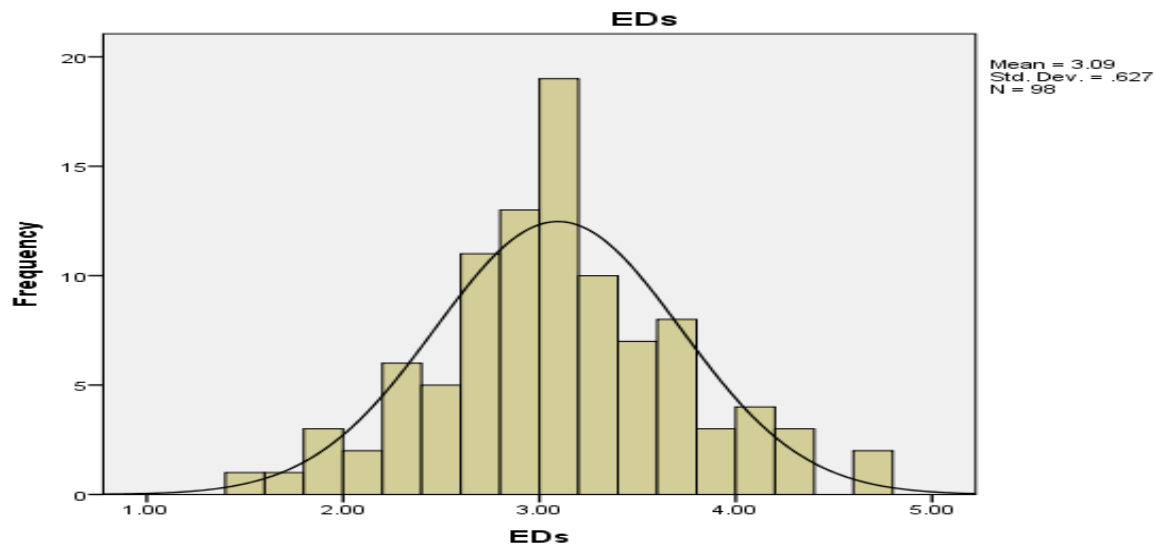
Regression analyses need the independent variables to be normally distributed. Skewness and Kurtosis are statistical tools which can enable to check if the data is normally distributed or not. According to Smith and Wells (2006), Kurtosis is defined as property of a distribution that describes the thickness of the tails. The thickness of the tail comes from the amount of scores falling at the extremes relative to the normal distribution. Skewness is a measure of symmetry/balance. A distribution or data set is symmetric if it looks the same to the left and right of the center point. For this study, the Skewness and kurtosis test results are within the acceptable range (-1.0 to +1.0) and it can be concluded that the data for all variable are normally distributed.

Table 4.6 Normality test results

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
EMS	98	0.592	.244	-0.516	.483
FC	98	-0.458	.244	0.138	.483
MC	98	0.162	.244	-0.180	.483
FMC	98	0.178	.244	-0.512	.483
DMC	98	-0.562	.244	0.091	.483
Valid N (list wise)	98				

Source: SPSS output of own survey (2022).

In addition histogram can also test the normality of the data as follows:



Source: SPSS output of own survey (2022)

Assumption 3: Linearity of the relationship test

Linearity test tells that the visual inspections of the scatter plot that shows there exists a linear relationship between coffee export determinants and coffee export performance. For this study the test shows that the scatter plot has a moderate linear relationship.

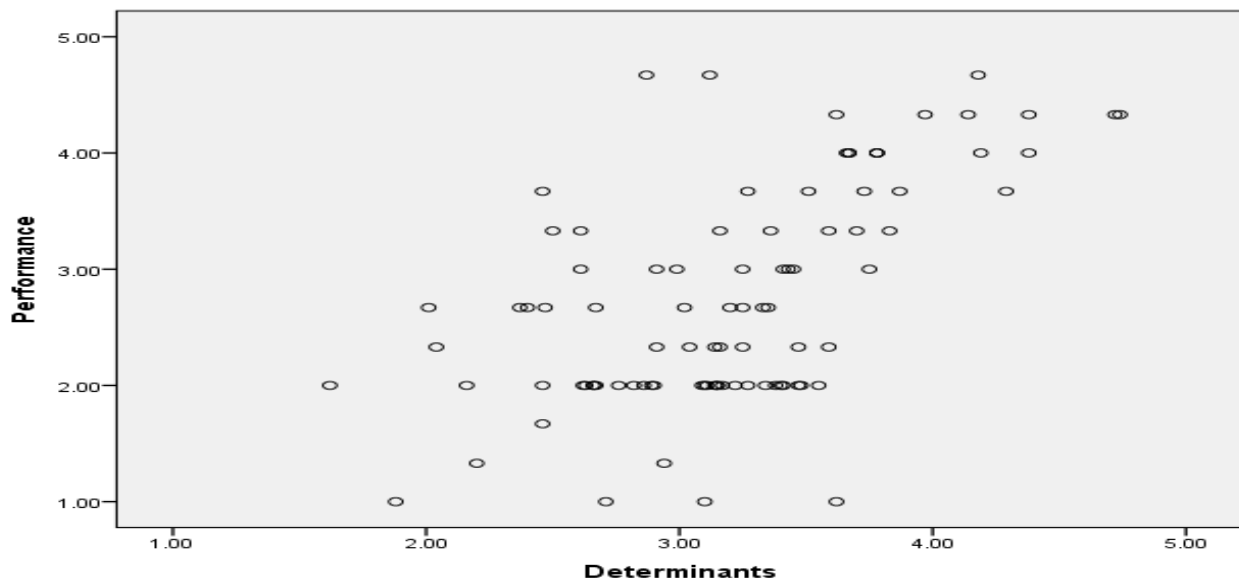


Table 4.7 Analysis model summary of R and R²

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.663 ^a	.440	.409	.56413

a. Predictors: (Constant), DMC, EMS, FC, FMC, MC
 Source- SPSS output of own survey (2022).

From the above model summary in Table 4.7, it can be seen that R is 0.663 shows that there is a positive and strong relationship between coffee export determinants and coffee export performance and R² is 0.440 indicates that about 44.0% of the variance of coffee export performance (dependent variable) can be explained by both internal and external coffee export determinants, the remaining 56% of the variance is explained by other variables which are not included in this study.

Table 4.8 (ANOVA) Export Determinants as predictor to Export Performance

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.993	5	4.599	114.450	.000 ^b
	Residual	29.279	92	.318		
	Total	52.271	97			

a. Dependent Variable: EPs
 b. Predictors: (Constant), DMC, EMS, FC, FMC, MC
 Source-SPSS output of own survey (2022).

From the ANOVA Table 4.8, the F- test result and the P- value tests whether the overall regression model is good predictor and the probability of this result is occurred by chance or not. In this regard, the F- test result is 114.450 with a significance of less than 0.01. This means, the probability of those results occurs by chance is < 0.01. And it can be concluded as the overall regression model is significant (5, 92) = 114.450, P < 0.01, R² = 44.0% (that is the regression model is a good to fit the data). Therefore, very significant amount of coffee export performance is influenced by both internal and external coffee export determinants.

In other words, independent variables (CEDs) significantly predict the dependent variable (CEP). This implies that, ECX effort to develop its coffee export performance and taking part of systematic management of export determinants, affect export performance significantly. This result is also in line

with the study finding of Behailu (2016) and Aragaw (2020) who found that coffee export performance is significantly predicted by both internal and external coffee export determinants.

Table 4.9 (Coefficient) Coffee Export Determinants as predictor to Coffee Export Performance

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.
	B	Std. Error	Beta	
1 (Constant)	0.355	0.306		0.000
EMS	0.077	0.082	-0.090	0.046
FC	0.122	0.109	-0.128	0.035
MC	0.535	0.131	0.503	0.000
FMC	0.037	0.101	0.044	0.016
DMC	0.327	0.105	0.350	0.002

a. Dependent Variable: Coffee Export Performance

Source- SPSS output of own survey (2022).

From the above coefficient table 4.9, the positive B coefficient values indicated that there is a positive relationship exists between coffee export determinants and coffee export performance. And this result is significant as p-value is equal to $.000 < 0.05$, which means changes in the predictor value is related to changes in the response variable i.e. when export marketing strategy is increased by one unit, then coffee export performance increased by 0.077 units and which is significant; assume all variables are worthless. As well, when firm characteristics is increased by one unit, then coffee export performance increased by 0.122 units and which is significant; assume all variables are unsound.

Likewise, when management characteristics is increased by one unit, then coffee export performance increased by 0.535 units and which is significant; assume all variables are unacceptable. In addition, when foreign marketing characteristics is increased by one unit, then coffee export performance increased by 0.037 units and which is also significant. Similarly, when domestic market strategy is increased by one unit, then coffee export performance increased by 0.327 units and which is significant. On the other hand, if no influence of both internal and external coffee exports determinants at the ECX, the coffee export performance is 0.335 units. To summarize, the equation of the regression line is defined as follows:

$$CEP = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k + e_t$$

$$CEP = 0.355 + 0.077EMS + 0.122FC + 0.535MC + 0.037FMC + 0.327DMC + 0.834$$

Where:

CEP represents coffee export performance

EMS represents export marketing strategy

FC represents firm characteristics

MC represents management characteristics

FMC represents foreign market characteristics

DMC represents domestic market characteristics and

e_t represents summation of standard errors

As shown from table 4.9 above, this study found that management characteristics is the most significant predictor variable followed by domestic market characteristics, firm characteristics, export marketing strategy and foreign market characteristics. This implies that ECX is interested to have planned management characteristics in addition to other internal and external coffee export determinants.

4.3 Secondary Data Analysis

According to Beleska-Spasova (2014), measures of export performance are usually categorized in two broad groups: financial/economic and non-financial/noneconomic measures. The aggregate evidence suggests that the most used financial indicators as measures of export performance used to analyze the coffee export performance of ECX as follows:

Table 4.10 ECX coffee export volume in MT for the last four years (2010-2013 E.C)

Year	Volume		%	% age share volume
	Plan	Actual		
2009	14800	13600	91.89	22.97
2010	15200	12600	82.89	21.28
2011	16800	11900	70.83	20.10
2012	13400	9600	71.64	16.22
2013	15000	11500	70.00	19.43
Total	75200	59200	78.72	

Source: Annual reports of the ECX.

As indicated on the above table 4.10, the ECX coffee exports performance for the last five years shows that totally performed 78.72% of its plan. In addition, the table shows that the year 2009 E.C has better share than the rest fiscal years which means that it contributed 22.97% of the total export volume during the last five years. The year 2010 E.C also the second contributor of the export performance that takes the share of 21.28% of the total export volume. In addition, the year 2011 E.C also the third contributor about 20.10% of the total export of coffee during the last five years and the last one is the year 2012 E.C that contributes about 16.22% of the total export of coffee.

Table 4.11 ECX coffee export volume in MT and value in ‘000 USD for the last four years (2009-2013 E.C)

Year	Volume	value in ‘000 USD		%	% age share value
		Planned	Actual		
2009	13600	7250	6020	83.03	27.39
2010	12600	6434	5060	78.64	23.02
2011	11900	6378	4240	66.48	19.29
2012	9600	5250	2960	56.38	13.47
2013	11500	5340	3700	69.29	16.83
Total	59200	30652	21980	71.71	

Source: Annual reports of the ECX

As illustrated in the above table 4.11, the ECX coffee export performance in terms of quantity and value. The overall performance of ECX coffee export percentage shown on the above table for the last five years by volume was 78.72% of its plan but achieved 71.71 its plan by value. This figures showed that the ECX coffee export performance contribution is valuable for the country as well for the ECX’s income generation. The year 2009 E.C has the top contribution from the last five years which indicated on the above table that contributed 22.97% by volume and 27.39% by value.

Similarly, as the annual statement report of the Ethiopian Commodity Exchange shown that, coffee was exported on different countries (annually over the period 2009 to 2013) mainly to the Europe, USA, Japan, Far East countries, Canada and Australia. The largest share of coffee exports went to Germany

that accounts for 43.5 % of coffee exports. The second most important importing country of Ethiopian coffee was Saudi Arabia which accounts for 18.9 % of coffee exports. The third country that imports Ethiopian coffee was France that accounts 12.9 % of coffee exports. And the least important country that imports Ethiopian coffee was South Africa that accounts 1.2 % of coffee exports.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter delivers the summary of the findings from chapter four and it also gives the conclusions and recommendations of the study based on the objective of the study. The objective of this study was to examine the effect of coffee export determinants on coffee export performance at ECX. The study was conducted based on the collection of both primary and secondary data. Primary data was collected through the use of well-structured and self-administered questionnaire that contains relevant questions regarding coffee export determinants and coffee export performance at ECX. In addition, one-to-one interview with selected 5 management bodies was conducted to collect qualitative data to supplement and strengthen the information obtained from questionnaires.

5.1 Summary

- o Of the 98 respondents involved in this study, the descriptive statistics analysis results revealed that the majority of the respondents were male, degree holders and with the age category of 26 to 41 years.
- o Respondents' have recognized positive perception regarding the practices of capacity of product adaptation and the commodity has put in place strategies to expand export markets over the last five years at the ECX. This is the good indication for the customers who demands different varieties of coffee to import from the Exchange. Likewise, respondents have recognized negative perception regarding the practices of capacity of pricing adaptation, promotion adaptation capacity, capacity of distribution strategy, capacity of channel relationship and strategic decision making by top executives in the commodity with some variation among the respondents.
- o The respondents' perception on the size and age of the firm benefits for the commodity export performance is positive. As well, the level of technology innovation used and utilization of research and development to enhance coffee export performance confirmed above the cutoff point (3). Similarly, there was a positive perception of respondents considering the level of international competence and access to infrastructure/service was advantageous for the commodity. In addition, the firm's financial resources and supply chain management capabilities was not supposed positively by the respondents.
- o The respondents' feedback on management's international experience in the export business, management's level of commitment and attitude towards exporting and international market knowledge advantage of the commodity export performance is positive. On the other hand,

managements' perceived export advantages and barriers and management's incorporating corporate social responsibility agreed by the respondents negatively.

- o Regarding to external coffee export determinants (foreign and domestic market characteristics), the respondents reacted positively. This is because the mean value or the levels of agreeableness of respondents is above the cutoff point (3).
- o The Pearson correlation coefficient was also revealed that export marketing strategy has positive, strong, moderate and significant relationship with coffee export performance. Management characteristics have strong, positive and significant relationship with coffee export performance. Likewise, domestic market characteristics, firm characteristics and foreign market characteristics have positive, moderate and weak as well as significant relationship with coffee export performance respectively.
- o Before going to regression analysis, the researcher tests normality analysis test, multicollinearity test and linearity test and it was found that this study has no problem of such issues. Then, the regression model fitness and sample size adequacy were also checked. According to the regression model, 44.0% of the variance explained on the dependent variable (coffee export performance) was explained and influenced by the independent variables (internal and external coffee export determinants); whereas the remaining percentage (56%) was affected and explained by other unknown factors which are not included in this study.

5.2 Conclusion

The overall objective of this study was to examine the effect of coffee export determinants on coffee export performance at ECX, Addis Ababa, Ethiopia. To this end, five basic research questions were set. Accordingly, based on descriptive (mean & standard deviation) and inferential (Pearson's correlation and regression) statistics results and summary of major findings, the following conclusions were drawn.

- o According to the findings, export market strategy, firm characteristics, management characteristics, foreign and domestic market characteristics were found to have a positive and significant impact on coffee export performance at ECX.
- o Coffee export performance is positively and significantly correlated with the independent variables (both internal and external export determinants).
- o Overall, it can be concluded that for one unit export marketing strategy increased at ECX, coffee export performance is growing by 0.077 units. Likewise, for one unit firm characteristics,

management characteristics, foreign and domestic characteristics increased at ECX, coffee export performance is growing by 0.122, 0.535, 0.037, and 0.327 units respectively.

- o Finally, this study found that management characteristics is the most significant predictor followed by domestic market characteristics, firm characteristics, export marketing strategy and foreign market characteristics,

5.3 Recommendation

Based on the conclusions drawn from the findings, the following general and applicable recommendations are put forward.

- o It was widely recognized in the marketing literature that the export determinants play a very crucial effect on export performance. Thus, ECX management bodies should address all subjects/issues related to both internal and external export determinants in accordance with the current business situations and interest of the customers; these again enhance the coffee export performance in terms of volume as well as foreign currency earnings to the country's economic development and also this helps to create market opportunity to farmers/coffee producers.
- o The top management should give emphasis for management characteristics of the ECX in the long term basis to cope up the challenges and take the advantage of opportunities those associated with the coffee export performance.
- o The top management of the commodity also see the possibilities on trade events or exhibitions held by international institutions, these are very useful sources of information and will encourage the commodity to gain useful information from international markets for better coffee export performance.
- o The commodity should give continuous capacity building and training programs for coffee exporter members.
- o This study was conducted only on coffee export determinants and its performance at ECX and was employed cross-sectional and explanatory research methods. Future researchers could undertake a more in-depth longitudinal study by including other commodities of ECX.

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APPENDIX I

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF INTERNATIONAL BUSINESS

POST GRADUATE PROGRAM

QUESTIONNAIRE

Dear respondent,

The purpose of this questionnaire is to gather data in order to study issues related to determinants of coffee export performance. Thus, the study is purely academic that the confidentiality is taken seriously. Moreover, no response will be shared with third party prior to analysis. I kindly request your cooperation by filling the questionnaire. Because, your genuine and on time response is essential for the success of my study.

No need of writing your name.

If you have any question or comment please contact me by the following addresses:

✓ Mobile: 0923074569

✓ Email- lileyabiot@gmail.com

Part I-Personal information

Please read each question carefully and tick (✓) in the box ☐ matching to the response.

1. Sex: Male ☐ Female ☐
2. Age group: 18-25 ☐ 26-33 ☐ 34-41 ☐ 42-49 ☐ 50 and above ☐
3. Academic qualification: College Diploma ☐ 1st Degree ☐ 2nd Degree or above ☐
4. Work Experience at the organization: 1-5 years ☐ 6-10 years ☐ 11-15 years ☐ 16-20 years ☐ 21 and above ☐

Part II-Internal & External Environment Characteristics

This section enquires and assesses both internal & external environment characteristics include: Export marketing strategy, Firm characteristics, Management characteristics, Foreign Market Characteristics and Domestic Market Characteristics in the coffee export determinants and coffee export performance of the commodity.

Put “√” mark to indicate your level of agreement to the following statements by using a scale of 1-5 where, strongly disagree is (SDA=1), disagree is (DA=2), neutral is (N=3), agree is (A=4) and strongly agree is (SA=5).

No	Items	Level of agreement				
A	Export Marketing Strategy (EMS)	SDA=1	DA=2	N=3	A=4	SA=5
1	There was a capacity of product adaptation					
2	There was a capacity of pricing adaptation					
3	There was a capacity of promotion adaptation					
4	There was a capacity of distribution strategy					
5	There was capacity of channel relationship					
6	There was strategic decision making by top managements to expand export markets over last five years					
B	Firm Characteristics (FC)	SDA=1	DA=2	N=3	A=4	SA=5
1	The size of the firm benefits ECX for the coffee sales volume & market share					
2	The age of the firm benefits ECX for the coffee sales volume & market share					
3	The level of international competence was advantageous for ECX					
4	The firm's financial resources enhances the competitive strategy and positional advantage of ECX					
5	Utilization of R&D considered as a positive contributor of export practices					
C	Management Characteristics (MC)	SDA=1	DA=2	N=3	A=4	SA=5
1	Managements have international experience in the export business					
2	management's level of commitment and attitude towards exporting is positive					
3	managements incorporating corporate social responsibility					
4	managements perceived export advantages					
5	managements perceived export barriers					
6	The management has advantage on international market knowledge					

D	Foreign Market Characteristics (FMC)	SDA=1	DA=2	N=3	A=4	SA=5
1	Export market barriers impact sales volume adversely					
2	Legal (contracts) and political environments negatively affect the ECX coffee export practices					
3	Socio-cultural environments like coffee consumption trends negatively affect the ECX coffee export practices					
E	Domestic Market Characteristics (DMC)	SDA=1	DA=2	N=3	A=4	SA=5
1	Export assistances practiced properly in ECX to enhance coffee export effectiveness					
2	The ECX coffee export volume negatively related with export market barriers existing in the exporting country					
3	The ECX coffee sales volume positively related with legal and political environments in the exporting country					
4	An ECX operating in more competitive business environments					
F	Export Performance (EP)	SDA=1	DA=2	N=3	A=4	SA=5
1	The coffee export sales volume was according to the plan of ECX					
2	An ECX coffee export profitability was achieved its expectation					
3	An ECX export market share was satisfactory					
4	There is better perception and satisfaction on coffee export practices					

Part-III Additional Personal Opinions

Please list down any means you think coffee export performance in your organization can be improved; and what do you recommend to enhance the coffee export performance in terms of volume and foreign currency earnings.

APPENDIX II

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF INTERNATIONAL BUSINESS

POST GRADUATE PROGRAM

Interview Guide for Management Bodies of the ECX

Thank you very much for volunteering for this interview.

This is research conducted as part of my MSc study at Addis Ababa University. Your participation is very important to this research; hence you are kindly requested to respond to this interview to achieve the grand objective of the study. Your response will be kept highly confidential and used only for this research on academic purpose. Once, again I thank you.

1. Professional's view on what are the major factors affecting the commodity's coffee export performance?
2. Professional's opinion on international market knowledge relevance on coffee export performance?
3. Professional's view on the external environmental factors what are the factors affecting coffee export performance?
4. Professional's opinion on what are the role of export assistance of government on coffee export of the ECX?
5. Professional's view on what are the strategies the commodity follows in the international marketing?

Thank you