



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

**Firm-Level Determinants of Export Performance of Ethiopian  
Textile and Garment factories**

**(A survey on Selected Textile and garment factories)**

**By**

**Fikreselassie Ambaw Fantaye**

**A Thesis Submitted in Partial Fulfillment of the Requirement for  
the Award of the Degree of Masters of Arts in Executive MBA**

**Advisor: Mohamed Seid (PHD)**

**June 2018**

**Addis Ababa**

## DECLARATION

I, the undersigned, declare that this research project (thesis) entitled “**Firm-level Determinants of Export performance of Ethiopian Textile and Garment Factories, A survey on selected textile and garment factories**” submitted in partial fulfillment for the award of Degree of Master of Art in Executive Master of Business Administration, is my own original work and has not been submitted before to any other university or for any degree.

Declared by:

**Name:** Fikreselassie Ambaw Fantaye

**Signature** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Addis Ababa University**  
**College of Business and Economics**  
**Department of Management**  
**EMBA program**

**STATEMENT OF DECLARATION**

This thesis is written by Fikreselassie Ambaw Fantaye, entitled “**Firm-level Determinants of Export performance of Ethiopian Textile and Garment Factories, A survey on selected textile and garment factories**” and submitted in partial fulfillment of the requirements for the degree of Executive Masters of Business Administration (EMBA) complies with the regulation of the University and meets the acceptable standards with respect to originality and Quality.

Approved by Board of Examiners:

	<b>Name</b>	<b>Signature</b>	<b>Date</b>
Advisor:	_____	_____	_____
Internal Examiner:	_____	_____	_____
External Examiner:	_____	_____	_____

## ACKNOWLEDGEMENT

Next to the almighty God, I would like to extend my heart felt gratitude to my Advisor **Dr. Mohammed Sied** for his guidance, understanding & valuable comments to keep me on track throughout the research process. Thank you Dr. for making me love analytical decision modeling like regression and others. What an in-depth & untapped sea of knowledge out there!!

I am greatly indebted to owners, General managers, DGMs, Marketing managers, merchandisers ,department managers, friends, experts & workers of Almeda Textiles, MAA garment and textiles, Itaka Garment ,DBL group, Kombolcha textiles, MNS Manufacturing, Angels cotton & textiles, Shints ETP garment, Yirgalem Textiles, GMM garment, Adama spinning, Else Addis Industrial developement, Ashton garment ,Jay Jay garment, Epic garment, Raymond Silver spark apparel, Ayka Addis textile and investment group, Kanoria Africa textiles, Bahirdar textiles and all others who have contributed directly or indirectly to the success of this research project.

My profound and deep appreciation goes to D/Director General, staff members, directors, engineers of Ethiopian textile industry Development institute and staffs of Ethiopian Investment commission

I am deeply grateful to all my family members in particular to my kids (Biruk.F & Kalkidan.F) and the considerate, understanding, gorgeous & humble wife Tideg Kassa, who encouraged me to that final kik and relentlessly took care of me despite all ups &downs life posed to me. Thank you for standing by me in all aspect from shouldering double responsibility and dedicating everything under her power to taking care of my health status so as to succeed in this demanding research project. Enatu as I call her! This paper is dedicated for you in recognition to all you have exceptionally sacrificed as it would have been impossible to reach the finish line without your all round efforts.

Finally, I extend my appreciation to the Department of Management for designing and implementing such a wonderful and value adding program called Executive MBA. This course really has had invaluable contribution in making me a much better and equipped person.

Fikreselassie Ambaw

June 2018

## ACRONYMS

AGOA	Accelerated and Sustained Development to End Poverty
BLIP	Bole Lemi Industrial Park
CSAE	Central Statistics Agency of Ethiopia
DBE	Development Bank of Ethiopia
EC/EFY	Ethiopian Calendar/Ethiopian Fiscal Year
ECCSA	Ethiopian Chamber of Commerce and Secretariat Association
EMSC	Export market Strategic Capabilities
ETIDI	Ethiopian Textile Industry Development Institute
FC	Firm Characteristics
FDRE	Federal Democratic Republic of Ethiopia
FYC	Foreign Currency
GSP	Generalized system of Preference
GTP	Growth and Transformation plan
GVP	Gross Value Production
HIP	Hawassa Industrial Park
IO	Industrial organization
IPs	Industrial Parks
KIP	Kombolcha Industrial Park
MC	Management Characteristics
MIP	Mekelle Industrial Part
MOFEC	Ministry of Finance and Economic Cooperation
MOI	Ministry of Industry
NBE	National Bank of Ethiopia
RBV	Resource based view
SPSS	Statistical package for Social Science
USD	United States Dollar
WRAP	Worldwide Responsible Accredited Production

## ABSTRACT

*To survive and thrive in today's globalized world, export business is becoming the quest of the time for countries. Especially for countries like Ethiopia, exporting has become an issue of "to be or not to be". One way to beat such a challenge is to engage in export operations. The under performance of the GTPI laid down by the government coupled with severe shortage of foreign currency have become a serious problem. One of the reasons identified is low export performance of Textile sector. Despite the provision of all round incentives, preferential market accesses and opportunities, the export performance of the sector at firm level continues to decline. Hence, external factors kept constant, identifying what and how firm-level internal and controllable factors determine the export performance of a firm was the objective of the researcher. Three constructs of management characteristic, firm characteristics and export market strategy capabilities have been framed up to see their impact on export sales growth. The research used deductive research approach and non-probability sampling technique in an descriptive research method. The study was designed with cross-sectional study of both primary and secondary data through a survey of online questionnaire to 100 respondents from 10 factories. Descriptive statistics and multiple linear regression analysis by SPSS revealed that both firm characteristics and export marketing strategy capability of firms are significant to predict the export sales growth while Management characteristics remain to be insignificant. Accordingly, managers and policy makers are recommended to focus their effort to improve internal firm-level factors.*

*Key words: Export sales, Export sales growth, export performance,*

# TABLE OF CONTENTS

DECLARATION .....	i
STATEMENT OF DECLARATION .....	ii
ACKNOWLEDGEMENT.....	iii
ACRONYMS .....	iv
ABSTRACT .....	v
TABLE OF CONTENTS .....	vi
LIST OF TABLES.....	viii
TABLE OF FIGURES .....	viii
CHAPTER ONE .....	1
INTRODUCTION.....	2
1.1. Background of the Study.....	2
1.2. Statement of the Problem.....	8
1.3. Research Questions.....	8
1.4. Research Objectives.....	9
1.5. Scope of the Study .....	9
1.6. Limitation of the Study .....	10
1.7. Significance of the Study .....	10
1.8. Organization of the Study .....	11
1.9. Definition of Key terms .....	11
CHAPTER TWO .....	14
REVIEW OF RELATED LITERATURE .....	14
2.1. Introduction.....	14
2.2. Theoretical Review .....	15
2.3. Conceptual framework.....	28

CHAPTER THREE .....	31
RESEARCH DESIGN AND METHODS.....	31
3.1. Study Area Description .....	31
3.2. Research Methodology .....	31
3.3. Unit of analysis. ....	32
3.4. Data Type and Sources .....	32
3.5. Research Strategy and Design.....	33
3.6. Target Population and Sampling .....	34
3.7. Data Collection Instruments and procedure .....	35
3.8. Data Processing and Analysis .....	35
3.9. Validity & Reliability.....	36
CHAPTER FOUR .....	37
RESULT AND DISCUSSION .....	37
4. 1. Demographic characteristics .....	37
4.2. Firm-Level Determinants and Export Growth.....	38
4.3. Level and relationship of independent and dependent variables.....	40
4.4. Multiple Linear Regression results and tests .....	42
4.5. Secondary Data Analysis .....	49
4.6 . Discussion .....	56
CHAPTER FIVE .....	60
CONCLUSION AND RECOMMENDATIONS.....	60
5.1. Summary.....	60
5.2. Conclusion .....	61
5.3. Recommendations.....	63
APPENDIX.....	68

## LIST OF TABLES

Table 1- 1 Number of New Entrants of Textile and garment factories per year .....	6
Table 1- 2: Annual Textile and garment export & share of total export.....	7
Table 4- 1:Effect of independent variable on dependent variables.....	38
Table 4- 2 Descriptive Statistics of Variables.....	40
Table 4- 3:relationship between independent and dependent variables.....	41
Table 4- 4:Collinearity Statistics Test of Independent Variables .....	43
Table 4- 5: The Influence of Dimensions of MC, FCC and EMSC on the Sales growth.....	46
Table 4- 6:Goodness of Fit – ANOVA Result.....	47
Table 4- 7: Regression Coefficients of Predictor Variables to the Dependent Variable, .....	47
Table 4- 8: planned vs export performance data.....	50
Table 4- 9:Number of new textile & garment investments across the year .....	51
Table 4- 10:Firm-level export performance by sales growth.....	54
Table 4- 11: sales growth rate previous performance vs subsequent performance .....	55

## **TABLE OF FIGURES**

Figure 1- 1: Thirteen years Export trend of textile and garment factories.....	7
Figure 2- 1 : Conceptual Frame work.....	30
Figure 4- 1: Scatter plot of sales growth.....	44
Figure 4- 2: P-P plot of Sales.....	45
Figure 4- 3:Histogram of Sales growth.....	46
Figure 4- 4 :plan vs export performance graph.....	50

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1. Background of the Study**

#### **1.1.1. Textile and garment industry in Ethiopia**

Ethiopian traditional apparel (cottage industry) produced by handloom, has rich and prolonged history. The activities were traditionally held by small artisans called “Shemane” (weavers). This traditional cottage industry is inherited and continues till date, making it an important contributor in nation building and satisfying people’s needs.(ETIDI)

As a result of the government policies, textile and garment manufacturing companies, ranging from medium to large scale, in the area of ginning, spinning, weaving finishing and garment have proliferated and today stands more than 190

The Ethiopian government is actively promoting further modernization of the textile and garment sector with the objective of attracting local and foreign investors, at the same time foreign buyers.

#### **The National Industrial Policy of Ethiopia**

The government of Ethiopia is realizing a developed and prosperous Ethiopian through agricultural development led industrialization economic policy. Apart from formulating this policy, one of the strategies which come at forefront is the industrial development policy of the country (FDRE Government 2002). The policy is designed within the framework of free market economic philosophy with the following seven underling principles: The private capitalist is the engine of the industrial development strategy, adopting export led industrialization, following agricultural development led industrialization, focus on labor intensive industries, using coordinated local and foreign direct investment, strong leadership role of the government and mobilizing the entire society for industrial development .The policy has thus identified priority sectors that deserve attention to build the required platform for the industry to play its key role in

the economy of the nation. Following this industrial policy, the government has set priority sectors that are presumed to boost export performance of the country. In addition to earning foreign currency and these priority sectors are also expected to help realize strong global competitive age of the country in general and exporting manufacturing sector in particular.

These priority sectors include:

- Textile and garment industry
- Leather and leather products industry
- Chemical industry
- Metal industry
- Agro processing industry
- Construction industry

The fact that Textile and garment industry is on the top priority shows the relative high significance of the sector to boost the country's economy. If this sector has to contribute as expected, then the factors that are directly or indirectly associated to its export performance will have to be analyzed and acted up on.

### **Comparative advantages of Ethiopia**

1. Preferential market access: serious of initiative s have been taken to produces new export opportunities for developing countries that enjoy the benefits of favorable global market such as COMESA (common market for east and southern Africa), AGOA, EBA and has the result of multilateral trade agreements accomplished with the developed countries which are free of duty and without quota restriction for all export products.
2. Ethiopia has more than three million hectares of fertile land for cotton and only less than 10% is utilized so far. This large area which is suitable for cotton plantation is found in geographically rich climate with abundant water resource.
3. Abundant Human resource: as a country of more than 90 million populations, significantly wider in the part the youth age group, Ethiopia has plentiful supply of skilled workers in different types of fields. Though wages vary to some extent on the type and level of education, the wage structure in Ethiopia for machine operators is less than 50USD per month with lower cost of training compared to many countries in Africa and Asia.

4. Ethiopia has a huge potential in Hydro power, wind energy and geothermal energy that make the country a power surplus in the region. It has planned to be the power house of Africa due to its high hydropower potential which is estimated about 650 billion kilowatt hour. Currently, the aggregate electricity generated is 3.294 billion KWH. This is less than one percent of the potential
5. Cost of electric power is 0.50 USD for kwh that is cheaper than any other country on the globe
6. Furnished industrial parks: Ethiopia has been registering a significant progress in development of infrastructure for the manufacturing industry with a special focus and priority for export oriented manufacturing sectors among which textile and apparel is a priority. Hence, the government has established furnished industrial parks fully equipped with relevant infrastructure such as road, internet connectivity, electric power supply, one window service and comparatively lowers rent of shades. Currently, six industrial parks are already operational (BLIP, HIP, KIP, MIP and Eastern Industry Zone) while five parks are under construction and to be completed within a year.

### **1.1.2. Quick facts on the sector players**

- There are about 25 cotton farming companies with a total of 35,443 hectares of farm
- There are about 182 Ginning, textile and garment factories as of 2017 of which 29 are engaged in one or more of knitting, spinning and fabric production ,22 of them are integrated factories, 115 of them are garment(apparel) factories while the remaining 16 are engaged in Ginning(cotton processing)
- In the past 13 years, (2004/5-2016/17), all factories planned to export textile and garments worth of USD 1,882,001, but what they actually achieved was only 672,719,000 USD which is only 36% of their planned export sales. Broken down to products type, of the total exported 17% of them were Yarn , 15% of them were fabric and the remaining 68% of them were garment(apparels). This clearly shows that the export performance is really very low as compared to the plan.

## **The concept of Export performance**

Export performance is defined as the result of a firm's actions in export markets. This variable can be considered as an important road map for any company who wishes to review its level of success in terms of export market. However, evaluating the export performance is not as such easy task and the importance of the concept highly depends on how good or bad measure is used and on the way the measures are adopted (Soham 1996).

## **Relevance of Export & Export market**

There are number of benefits to be obtained from exporting goods. Generally, it is believed that exporting is one of the key role players in the world economy in general and enormously benefits firms and countries in particular. It is stated that vibrant exporting correlates economic development (Ezrim and Nwokah, 2009).

Access to the global market allows domestic firms to achieve **economies of scale** and thus enhance their profitability. Being a source of foreign exchange earnings, higher exports enable a country to meet its growth and development needs through import of capital goods and raw materials. Another way that exporting increases economic growth is by increasing productivity due to the technical knowledge gained from other nations while exporting.

(Lance Eliot Brouthers, George Nakos, John Hadjimarcou, & Keith D. Brouthers, 2009) In this globalized world we are living , companies and countries are closely inter-connected and the level of competition is getting tighter and tighter from time to time. This goes to the expansion of innovative ideas and large knowledge base about a specific sector under study. Hence, understanding the issue of export performance has become more than just issue of comparative advantage paradigm. (Mytelka, 2000)

While exporting increases country's economic growth in the way mentioned above, the issue of export performance becomes an important factor that determine the level of growth. Due to such a positive relationship between export performance and firm –level behavior, this export performance is becoming an indispensable element.

On the other hand, for firms based in developing countries, global market is viewed as a place to secure growth, survival and competitiveness (Matanda & Freeman, 2009). This means that those

factors inhibiting export performance need to be identified and addressed so as to boost the countries global competitiveness.

Another aspect to see how export helps a country is explained by the fact that the more export prevails the better the balance of payment of a country will be, the less dependent the country will be on foreign aid, the better the employment opportunity will be, and the less will the country be exposed to external crises on the domestic economy. Narrowing the global view of exporting to the case of Ethiopia, however, has been witnessed that export of Ethiopian manufacturing industry in general and textile and garment factories in particular has been declining over the past years. This happened despite the favorable export policy and support from the government side and hence examining what firm-level determinants of export performance are really significantly affecting the export is relevant.

### **Bringing the issue back to home (Ethiopia)**

Over the GTP period (2010-2015), large amounts of foreign direct investment (FDI) flowed into Ethiopia as witnessed by the report from ETIDI. The majority of the FDI is foreign invested textile and garment factories that are supposed to export 100% of their products so as to enable the country earn the much needed foreign currency during the period. Initially the exports generated by **foreign-invested enterprises** have increased rapidly for the short run. These factories have become important contributors behind the export growth of Ethiopia textile sector as shown in the table 1 below. However, the export performance of foreign-invested factories has not continued and is not earning the amount of foreign currency it was expected to bring in.

**Table 1- 1 Number of New Entrants of Textile and garment factories per year**

<i>Number of companies</i>	<i>Years in E.F.Y</i>							
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
New		7	10	11	16	14	19	32
Existing	80	87	97	108	124	138	157	189
<b>Total</b>		<b>94</b>	<b>107</b>	<b>119</b>	<b>140</b>	<b>152</b>	<b>176</b>	<b>221</b>

growth rate% of

new

43%

10%

45%

-13%

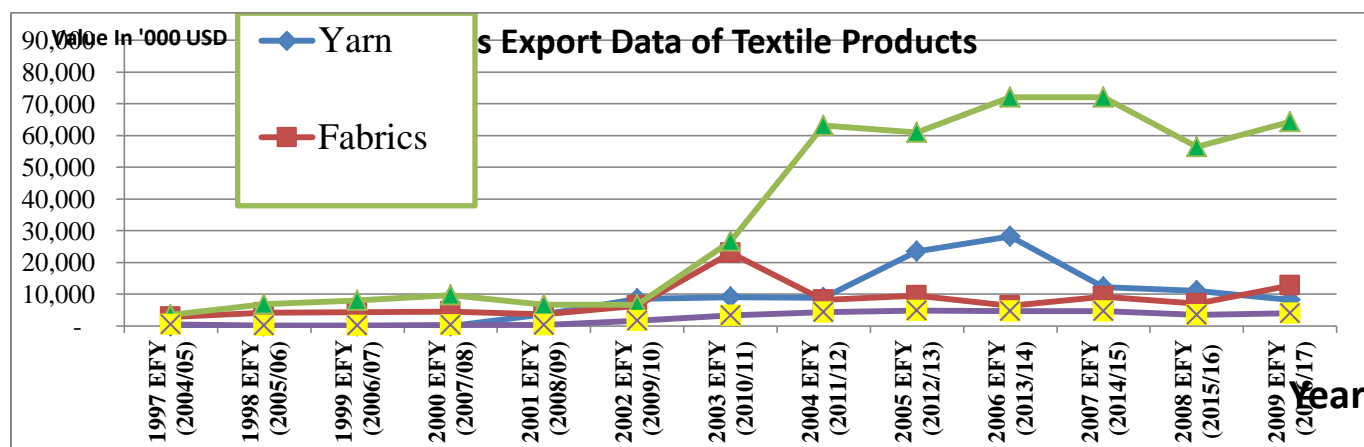
36%

68%

*Source: Ethiopian Textiles Industry Development Institute*

**Table 1- 2: Annual Textile and garment export & share of total export**

Textile and Garment Export by product, Total Manufacturing Industry Export and Total Country Export (Value in '000USD)														
S/N	Product Type	Ethiopian Fiscal Year (EFY)												
		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1	Yarn	-	-	-	-	3,717	8,522	9,124	8,891	23,464	28,147	12,199	11,059	8,212
2	Fabrics	2,897	4,181	4,421	4,565	3,708	6,325	22,984	8,284	9,599	6,321	9,185	6,989	12,777
3	Garment	3,446	6,848	8,043	9,674	6,630	6,667	26,734	63,090	61,009	72,148	72,030	56,490	64,339
4	Cultural Clothes	416	73	154	373	383	1,696	3,382	4,361	4,916	4,738	4,647	3,433	4,012
<b>Total Textile and Garment</b>		<b>6,759</b>	<b>11,102</b>	<b>12,618</b>	<b>14,612</b>	<b>14,438</b>	<b>23,210</b>	<b>62,224</b>	<b>84,626</b>	<b>98,988</b>	<b>111,354</b>	<b>98,061</b>	<b>77,971</b>	<b>89,340</b>
<b>Yearly Growth Rate (%)</b>			<b>64.3</b>	<b>13.7</b>	<b>15.8</b>	<b>-1.2</b>	<b>60.8</b>	<b>168.1</b>	<b>36.0</b>	<b>17.0</b>	<b>12.5</b>	<b>-11.9</b>	<b>-20.5</b>	<b>14.6</b>
<b>Average Growth Rate (%)</b>			<b>31</b>											
<b>Industry Sector</b>		<b>89,431</b>	<b>96,903</b>	<b>124,735</b>	<b>142,121</b>	<b>114,789</b>	<b>88,163</b>	<b>176,362</b>	<b>255,450</b>	<b>355,491</b>	<b>397,933</b>	<b>407,941</b>	<b>390,243</b>	<b>441,278</b>
<b>Total Country</b>		<b>793,225</b>	<b>1,008,567</b>	<b>1,185,083</b>	<b>1,481,421</b>	<b>1,450,161</b>	<b>1,999,542</b>	<b>2,747,117</b>	<b>3,152,884</b>	<b>3,081,212</b>	<b>2,904,654</b>	<b>2,976,461</b>	<b>2,836,263</b>	<b>2,854,408</b>
<b>%Share of Textile and Garment from Industry Sector</b>		<b>7.6</b>	<b>11.5</b>	<b>10.1</b>	<b>10.3</b>	<b>12.6</b>	<b>26.3</b>	<b>35.3</b>	<b>33.1</b>	<b>27.8</b>	<b>28.0</b>	<b>24.0</b>	<b>20.0</b>	<b>20.2</b>
<b>%Share of Textile and Garment Export from Total Country Export</b>		<b>0.9</b>	<b>1.1</b>	<b>1.1</b>	<b>1.0</b>	<b>1.0</b>	<b>1.2</b>	<b>2.3</b>	<b>2.7</b>	<b>3.2</b>	<b>3.8</b>	<b>3.3</b>	<b>2.7</b>	<b>3.1</b>



**Figure 1- 1: Thirteen years Export trend of textile and garment factories**

Source: Ethiopian Textiles Industry Development Institute

In Ethiopia, the recent growth plan was the Growth and Transformation plan (GTP1&GTP2).GTP2 had been enacted in an effort to bring the country in to a middle income economy by 2025. During the GTP1 implementation period, the economy is said to be growing on average at 11% per annum (MOFEC), and total exports have increased during the GTP1 period. However, the amount of foreign currency required by the country and the actual amount earned by manufacturing factories shows huge gap. By the same token, during the GTP1 period Ethiopian Government has envisaged to earn about 1Billion USD from textile and garment sectors through a gross value production (GVP) worth of 2.55 Billion USD. But in practice the sector could achieve only 98,061,000 USD at the end of the period with a gross value production

(GVP) of only 0.69(27%). The Foreign currency earnings performance, hence, has become only **9.8%**. (“ETIDI GTP 1 Performance Evaluation Amharic and English.pdf,” n.d., pp. 6–7)

As stated in GTP1 evaluative reports, the share of export earned from the textiles sector is far below the government’s expectation. Even though many internal and external factors contribute to the low performance of the export during the GTP1 period the researcher is motivated to know whether firm-level characteristics (operationalized as Management characteristics, firm characteristics & competence and marketing strategy capabilities) have significant role in determining the export performance of Ethiopian Textile and garment factories.

### ***1.2. Statement of the Problem***

In a nut-shell, the ever declining trend of export sales by textile and garment factories has become very big problem and the major firm-level, internal and controllable factors that determine the export performance of these factories need to be examined. The firm level is emphasized because the researcher is interested to see only those factors that are within the reach of the factory level management and avoid the complexity of the research by considering macro levels factors. Such studies have been conducted mainly in the developed and few developing countries. Though studies in these regard had been done at macro level mainly focused on policy related issues, this study tried to see such firm level determinant factors of export performance of Ethiopian textile and garment factories with in the domain of internal and controllable variables.

### ***1.3. Research Questions***

For the purpose of addressing the stated problem and grasp the main characteristics in the study, the research shall address the following question:

1. Do the major the theoretically known firm-level determinants of export performance affect the Ethiopian textile and garment factories?
2. How do firm-level determinant factors relate to export performance of textile & garment factories?

3. To what extent do internal factors under firm-characteristics, management characteristics, export marketing strategy capability affect export performance of textile & garment factories

## ***1.4. Research Objectives***

### ***1.3.1 General Objective***

Generally the research shall find out whether or not the firm-level determinants of export performance have significant effect to the Ethiopian textile and garment factories and if so, the researcher will see the impact of the factors on export performance.

### ***1.3.2. Specific Objective***

The following objectives will have to be addressed in order to address the research questions:

- Find out the firm-level export performance determinants for Ethiopian textile & garment
- See the importance and the gaps in practice for firm-level determinants of Ethiopian textile & garments
- Evaluate the extent to which Ethiopian textile & garment sector export is influenced by the firm-level factors

## ***1.5. Scope of the Study***

It is quite clear that performance of a given sector is to be affected either positively or negatively by both internal and external factors. Besides, these external and internal factors could also be uncontrollable or controllable depending on the specific factors firms face. This research however limit its scope to the variables clustered under management characteristics, firm's characteristics & competencies and export marketing strategic capabilities as firm-level determinants of export performance as conceptualized and operationalized in the upcoming sections of the research.

The export performance will be measured by such financial variables like export sales and export growths based on a survey on cross-sectional, longitudinal and time series data whichever is applicable. Hence other possible financial and non-financial measures are not considered.

## ***1.6. Limitation of the Study***

First of all due to possible improper documentation of data from Ethiopian textile and garment industry, no distinction has been made between textile factories and garment factories even though there are some technical differences between them. As the research will be focused on the data to be collected from textile and garment sectors, the findings and conclusions might not be applicable to other manufacturing sectors and may not be generalizable for the overall export performance of other sectors in Ethiopia. Hence, the findings and conclusions may be tuned keeping such limitations as non-availability of data, financial constraints in mind.

## ***1.7. Significance of the Study***

### ***What is known?***

Much (both relevant and irrelevant) has been said about the determinants of export performance, challenges facing and opportunities for export performance of garment and textile factories mostly in the developed countries. However, most of the evaluations are mainly focusing on the general aspect of external factors and grand policy related issues that failed to investigate root causes and effects of the firm-level determinant of export performance & challenges faced at a firm level. Besides, literatures are characterized by lack of consensus among one another on the firm level determinants and main challenges faced by factories especially on developing countries.

### ***What is not known?***

The researcher believes that no factory-level & system based empirical study or investigation has been done so far and even if it did, it was mainly focused on the external factors, leaving stake holders to think that little or nothing can be done about it.

Besides, most of the reports are made by government offices that are directly or indirectly responsible for the increase or decrease of the performance of factories there by affecting the correctness of the reports in their attempt to please individuals higher up in the ladder. Hence, internal firm level and controllable factors that predominantly contribute to the low export performance of Ethiopian Textile and garment sectors are not known and substantiated in scientific analytical models.

### ***1.8. Organization of the Study***

Chapter 1, followed by introduction discusses about background of the study which is mainly focused on current status of the textile and garment industry in Ethiopia. Statement of the problem, researcher objectives, questions, limitations, definitions of key terms as well as the scope of the study are included in this chapter. The introduction section also comprises of different concepts of export performance, relevance of the study in relation to the situation in Ethiopia in that regard.

Chapter 2 comprises of review of literatures in relation to export performance, measures of export performance and determinants of firm-level export performance. This chapter is also organized in such a way that it included the criticisms of previous studies and the conceptualized model or frame work of the theoretical reviews.

Chapter 3 covers the research design and methodology applied to the study. Accordingly, the unit of analysis, types and sources of data used the sampling techniques, target population as well as data collection instruments are described in addition to the data processing, analysis, relevant validity and reliability tests.

In Chapter 4 major findings from the analysis of both secondary and primary data are interpreted and discussed in detail then summary, conclusions and recommendations are covered in Chapter 5 followed by relevant annexes.

### ***1.9. Definition of Key terms***

**Conceptualization:** is the process of specifying what the researcher means when he uses the particular word and it comes in different dimension which the researcher tries to put them here (including which dimension and definition is adopted)

**Operationalization:** This is a term used by the researcher to describe how the concept under discussion was measured. This is mainly shown under the methodology section of this paper.

**Levels of Measurement:** are different levels of measuring variables that can be categorized as Nominal, Ordinal, interval or ratio. Again the details of category is shown in the methodological part and used during data collection and analysis.

**Unit of analysis:** refers to what or who the researcher studies. In this research selected individual factories are taken as unit of analysis.

**Export Barriers:** Export barriers can be defined as the attitudinal, structural, operational and other constraints that hinder a firm's ability to initiate, develop or sustain international operations (Koksal and Kettaneh, 2011).

**Export Growth:** - is an indicator of the trend of firms' export sales across time (Zou and Stan, 1998).

**Export intensity:** - Export intensity refers to the proportion of production output to exports, as evidenced by the percentage of exports to the firm's total sales (Katsikeas, C., Leonidou, L., & Morgan, N. 2000).

**Export Performance:** is defined as the extent to which a firm's objectives, both strategic and financial, with respect to exporting a product to a market, are achieved via the execution of the firm's export marketing strategy (Cavusgil & Zou, 1994) cited in Lages (2000). Export performance is defined as the result of a firm's actions in export markets. It is an independent guide for any company analyzing its level of success. i.e. (Shoham, 1998) also defined it as the outcome of firm's activities in export markets.

While numerous studies have been conducted to explain export performance and its antecedents, there is no generally accepted conceptualization. Export performance represents the outcome of a firm's activities in export markets (Papadopoulos and Martín Martín, 2010). From this perspective, export performance is the extent to which the firm achieves its objectives when exporting a product to a foreign market (Navarro et al., 2010).

**Export marketing strategic capabilities:** - refer to the means by which a firm responds to the interplay of internal and external forces to meet the objectives of the export venture involving aspects of the conventional marketing plan (i.e., product, price, promotion, and distribution/place) (Cavusgil & Zou, 1994) cited in Lages (2000).

**Firm-level determinants of export performance:** - are internal factors that influence the export performance expressed by management characteristics, Firms' characteristics and competencies and Export marketing strategic capabilities (Zou and Stan, 1998).

**Firm's Characteristics and Competencies:** - refer to the firm's ability in planning their export, foreign networking, selecting technology and overall size of the firm (Zou and Stan, 1998).

**Management Characteristics:** - are the skills, attitude and behavior of top management in the field of international business (Zou and Stan, 1998).

**Textile and garment Industry:** is a manufacturing Industry focused on production and sales of cotton, yarn, fabrics and apparels through integrated processes of cotton farming, spinning, knitting, weaving, dyeing and stitching.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### *2.1. Introduction*

##### **General**

The literature review consists of three important topics. Namely, Explanation of the knowledge Gap, synthesizing the conceptual Framework. While the first is covered in this chapter along some additional literatures available currently, the second topic is covered in chapter three and chapter four respectively.

As has been mentioned in the introductory part of this paper, exporting plays crucial role in bringing economic development and growth. That is why it is stated that vibrant exporting **correlates to economic development** (Ezrim and Nwokah, 2009). Hence, firms' growth and sustainable business are linked to export success of the given firm (Katsikeas, 1994a) and in another expression an export that is successfully executed can fuel up economic growth ( Zuo and Stan, 1998).

There are many ways export positively affects a country's economic development. Of these, maximizing capacity utilization and productivity by increasing the internal production, Creating new job opportunities there by reducing the unemployment rate, generating foreign currencies that will help improve balance of payment of a country and Increasing profitability and societal prosperity through industrialization are some among others. This is of course directly or indirectly affected by the dynamism of the global market. In order for the country to be competent player in the global market, the firms engaged in the global marketing need to be competent enough to survive and beat its global rivals.

The fact that global marketing and trading has grown has induced significant interest to the determinants of export performance of firms. Following the globalization, firms' need to compete and market their products in the international market has increased significantly instead

of just focusing on local markets. Hence researchers involved in investigating how firms perform in exporting have enumerated many factors that determine the export performance (Zuo and Stan, 1998).

Accordingly, of many classifications, the controllable and uncontrollable classification is the major one. Of these, the controllable determinants are internal firm-level factors such as Management Characteristics, Firm's Characteristics and Competencies, Export Marketing Strategic Capabilities and the uncontrollable ones are external environmental determinants (Tesfom & Lutz, 2006; Aaby & Slater, 1989).

However, the changes in environmental factors such as technological, economic, and social conditions guide to innovative research questions and alternative explanations for how firms export performance is determined. Therefore, in order to avoid repetition of variables with different names and also in order to facilitate the answer to the research questions thereby enabling to develop a synthesized model, these variables are grouped into a condensed number of more wide-ranging variables on the bases of their conceptualized similarity (Suhail & Mujtaba, 2009).

## ***2.2. Theoretical Review***

### **2.2.1 Export Performance**

Export performance represents the outcome of a firm's activities in export markets (Papadopoulos & Martín, 2010). From this perspective, export performance is the extent to which the firm achieves its objectives when exporting a product to a foreign market (Navarro et al., 2010).

(Shoham, 1996) has generally defined export performance as the result of a firm's actions in export markets. Although, growing body of literature has addressed the issue but still there is no evenly accepted conceptual and operational framework (Cavusgil & Zou, 1994a):(Shoham, 1998)

Assessing export performance is a complex task and its usefulness depends on credibility of the measure (i.e., financial and non-financial) as well as on how the measures are employed (Shoham, 1996)

Based on the classification as subjective and objective measures of export performance, Souse (2004) has identified about fifty dimensions of export performance measures.

### **2.2.2 Measures of Export performance**

(JALALI, 2012) expressed in consistent with Madsen (1987) and (Matthyssens & Pauwels, 1996), all measures of export performance are grouped into **seven categories**, representing financial, nonfinancial and composite scales.

The “sales” category includes measures of the absolute volume of export sales or the export intensity. The “profit” category consists of absolute measures of overall export profitability and relative measures such as export profit divided by total profit or by domestic market profit. While the “sales” and “profit” measures are static, the “growth” measures refer to changes in export sales or profits over a period of time.

Compared to financial measures, which are more objective, the non-financial measures of export performance are more subjective. The “success” category comprises measures such as the managers’ belief that export contributes to a firm’s overall profitability and reputation (e.g. Raven et al., 1994); “satisfaction” refers to the managers’ overall satisfaction with the company’s export performance (e.g.(Evangelista, 1994)); and “goal achievement” refers to the managers’ assessment of performance compared to objectives (e.g.(Katsikeas, Piercy, & Ioannidis, 1996). Finally, “composite scales” refer to measures that are based on overall scores of a variety of performance measures. Export sales, profits, and composite scales are probably the most frequently used measures of export performance despite recent recommendations for using more perceptual measures of overall export success or success in achieving organizational goals (e.g. (Cavusgil & Zou, 1994a),(Matthyssens & Pauwels, 1996).in this conceptual frame work, Sales-related measures are widely used to assess export performance.

On the other hand, (JALALI, 2012 and Leonidou, Katsikeas, & 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.

Although export intensity is the most common measure, there has been some criticism regarding the use of this indicator in assessing export performance (Lages, 2000). For instance, a firm doing an inadequate export job with a new product having a very large foreign market might appear to be a superior performer to another firm with a large market share of a relatively small foreign market. The second most used measure is export sales growth, which may also be criticized for overstating performance because of price escalation and market growth, or understating performance because of experience curve effects and deteriorating demand.

Sometimes, Profit-related measures are also used. These measures include export profitability, export profit margin, and export profit margin growth. As with sales-related measures, these measures are open to criticism in that export-related profit may not be known with any degree of certainty and that it might raise comparability problems because of different accounting practices across firms (Lages, 2000).

Another measure seen the literature was market-related measures. Three performance indicators were identified: export market share, export market share growth, and market diversification (number of markets entered). Market-related measures have been promoted as a good indicator for success, the reason being that high market share leads to scale and experience advantages on the cost side as well as more power in approaching customers (Madsen, 1998). However, due to the difficulty in measuring actual market share, these measures have been criticized and rarely employed (Sousa, 2004).

In addition to export intensity, export growth (in terms of whether export sales was declining or increasing) was another factor that should be included as one of the variables for measuring export performance. The measure of export growth employed in the study conducted by Tan & Litschert (1994) cited in Ogunmokun et al. (2004) was that, respondents were asked to indicate “their export sales were (1) declining rapidly; (2) declining moderately; (3) stagnant; (4) growing moderately; or (5) growing rapidly, using a nominal scale. However, the researcher opted to measure it in such a way that export sales growth across the year is compared to the preceding year’s performance for each factory. By doing so whether the firm’s performance across years has increased or decreased is objectively measured.

In this research, in order to avoid the criticism of sales based measurement, the researcher has controlled and operationalized the sales measure as “sales relative to the firm –level and GTP plans and firm’s own plan”.

As has been shown in the literature review above, there are number of factors and dimensions to see the different perspectives of export performance, its determinant factors and measurement aspects. Hence, depending on the nature of the firm and the particular situation the firm operates in, the firm-level determinant factors can be classified mainly based on those factors that influence specifically to Ethiopian textile and garment factories. By firm-level determinants, the researcher refers to those factors specific to factories. Hence, the researcher focuses on controllable firm-level determinants of export performance. The main reason for such focused (narrowed) approach is because at this level of research, the vast perspective of the literature review can be summarized in order to synthesize a relevant model that can be used to answer the research questions. Besides, among many factors under the three major constructs, 16 factors that are commonly used by different researchers and literatures have been chosen in this study so to ease comparison of their respective findings with previously done researches and literatures. Other factors are not consistently used and not popular.

### **2.2.3. Determinants of firm-level Export Performance**

By Firm level-determinants of export performance, it refers to those internal and controllable factors that affect the export performance of the firm as explained by such factors as Management characteristics, firms’ characteristics and competencies and the export marketing strategies capabilities(Zou & Stan, 1998).

“ Aaby and Slater (1989); Leonidou, et al., (1998) and Zou and Stan (1998) grouped the explanatory variables to export performance as external and internal to firms”. (Madsen, 1987; Aaby and Slater, 1989; Chetty and Hamilton, 1993; Zou and Stan, 1998; Katsikeas et al, 2000; Sousa et al., 2008).

The internal/external grouping of the factors is associated to the two popular theories. Namely Resource based view (RBV) and Industrial Organization (IO) or also called contingency theory.

RBV assumes that firm's export performance is under the control of the exporting firm and hence, internal factors are categorized under this theory.

"The resource-based view (RBV) proponents suggest that exploitation of distinctive, immobile strategic resources owned or controlled by a firm are its source of superior performance (Penrose, 1959; Wernerfelt, 1984). These internal factors which can be controlled managerially can be categorized as firm characteristics, management characteristics, management attitudes and perceptions, and export strategy. The most frequently cited factors as firm-specific determinants in the export performance literature are marketing mix variables, management characteristics, firm specific variables, and export strategy factors.

However, the IO or contingency theory advocates that factors that are external to the firm affect the export performance of the firm. Based on such theory the determinant factors are grouped in various ways by different researchers as shown below:

1. "Louter et al., (1991) grouped export performance determinants into three categories: company, attitude and strategy characteristics".
2. "Holzmuller and Kasper (1990) put forward that exporting determinants could be grouped into culture, business and manager characteristics".
3. "Miesenböck (1988) arranged the variables influencing export performance in five main groups: managerial, organizational, environmental, targeting and marketing mix variables".

As the main focus of this research is to find out the firm level determinants of export performance, the researcher follows with the first and the second grouping depicted above, which is an external and internal variable, the main focus being on the internal variables. This means that the Resource based view theory as explained above and in many other literatures is the theory mainly chosen to support the research.

### **2.3.1 Management Characteristics**

The role of management in affecting export performance either positively or negatively is very high (Nazar and Saleem, 2009;(Zou & Stan, 1998). Management plays significant role to develop, continue export performance of firms. So far different studies made with regard to the relationship between management characteristics and export performance have concluded that the former plays important role in the success or failure of export performance of firms (Sousa et al., 2008). As the export performance is controlled by management and organizations, the role of

management characteristics in influencing the effectiveness of the export sales department is high. (Katsikea & Skarmeas, 2003).

Similar studies have revealed that management characteristics are mainly classified in to Attitudinal or skill-based characteristics.

### **2.3.1.1 Attitudinal characteristics (Orientation and perception)**

#### **Export commitment and support**

(Sousa et al., 2008) Management's commitment & support to export market is one of the most important factors affecting export performance. They are one of the crucial factors in the success of export performance because, when the management is committed to export, it means that firm can get financial and managerial resources sufficiently to be able to enter the export market and pursue effective export marketing strategies. ;(Nazar & Saleem, 2009:(Cavusgil & Zou, 1994b) , (Nhat Lu & Julian, 2007:(Cicic, Patterson, & Shoham, 2002).

Management support has got direct impact on export performance positive and significant effect in enhancing export performance of a firm. That is to say, the level of management support impacts the performance because management with positive attitude towards it will impact the export performance and management with negative attitude will negatively affect the export performance.(Cicic et al., 2002).

Different surveys conducted by different researchers have proven the same theme that management commitment and support is positively correlated to export performance of a given firm. For example (Nhat Lu & Julian, 2007) who supported the same theme in their finding have advised that the more companies hire and train to get qualified personnel, the better of their company will do in the export performance. By the same analogy, researchers have concluded that the level of management commitment and support is positively related to the export performance. ( Stottinger and Holzmullerm (2001), Cicic et al. (2002), (O'Cass & Julian, 2003) Alvarez (2004), Castaldi et al. (2003) and Faver-Bonte and Giannelloni (2007).

#### **Customer orientation (CO)**

According to Brown et al, customer orientation which is also one aspect of market orientation is recognized as "the tendency to meet customer's needs in an on-the-job context". Brown et al.(2002). The term is also defined as "the set of beliefs in sales that states that customer's needs and satisfaction are the priorities of an organization" Drucker (2007).

Customizing the needs of customer ensures the success in customer orientation. By customer orientation it refers to the active interaction between the organization and customers. This implies that managers of a company have to focus on customers. (Katsikea and Skarmeas, 2003).

According to Leonidou et al (1998), customer orientation is one of the attribute that export managers should possess at a higher extent. Customer orientation, being one of the important characteristic for export success, companies should examine their managers in terms of such orientations.

### **Perceptions about export advantages and barriers**

The phrase “perceptions about export advantage” refers to the supposed benefits or share of profit from the outcomes of the exports to the company. Whereas the phrase “perceived export barrier” refers to such issues as level of risk and cost involved or difficulties associated with exporting. The export advantage is characterized by good export sales, gain and increased growth. Whereas the export barriers are assumed to be associated with lower export sales, sluggish growth rate of the export and minimal apparent success of the export operations.

(Ogunmokun & Ng, 2004) described that one of the distinguishing factors of lower export performer of export products is the manager’s attitude towards exporting. Hence, they explained further that those companies with high-level of export performance are run by manager with positive perception and outlook towards export operations. On the contrary, companies with lower-level of export performances are likely to have been led by managers having negative perception and attitude towards export operation.

On the other hand, an inverse relationship between export barriers and export performance has been established by various researchers (Ogunmokun and Ng (2004),(Suárez-Ortega & Alamo-Vera, 2005),(Wilkinson & Brouthers, 2006) and Castaldi et al. (2003). Hence, , most researchers recommend that it is better for a manager to focus on advantages of exporting than on perceived barriers in order to have good export performance (Zou and Stan, 1998)..

#### **2.3.1.2 Skill-based characteristics**

Another way of looking at export performance determinants is to see the skills of the management which can be demonstrated by the experience of the Manager, his or her education level and also foreign language proficiencies.

## **Export experience**

According to Nazar and Saleem et al, the management international experience has to do with the level of management's involvement in international operations, the capabilities and relevant information accumulated while living or working abroad (Nazar and Saleem, 2009;(Langes & Montgomery, 2005). This accumulated experience will play important role in proactively see potential risks or threats as well as opportunities in the global market so that potential risks can successfully be tackled and potential opportunities can be tapped (Nassimbeni, 2001; (Moini, 1992); Abay and Slater, 1989).this means that compared to experienced managers to inexperienced managers, the former will be in a better position in tackling and understanding on successful factors in export market and therefore can set better export marketing strategy than the inexperienced one in his/her attempt to avert risks or exploit opportunities.

As mentioned in the studies of (Langes and Montgomery, 2005), Zou and Stan (1998), it is evident that those companies having a manager with better international experience have better export performance than those who have a manager with less international experience in exporting.

However, sometimes, there is a possibility that this direct relationship between manager's international experience and export performance, could be in contrary. This can be explained in such cases where by the experience manager with better connections around him/herself with better experience of handling setbacks could also turn out to be resistant to new international developments that just involved out of his networks. Whereas, as compared to the experienced and networked managers, the inexperienced managers who are usually younger and more flexible managers could dare to face new approaches to manage the operations. For the reasons mentioned above(Mavrogiannis, Bourlakis, Dawson, & Ness, 2008) concluded in their research that "export experience does not have significant effect on export performance". Similarly, the study has added that some other researchers have found **neither positive nor negative** relationship between export experience and performance. some other researchers like contractor et al(2005) have established that managers with less international experience use internet and formal or informal networks to approach new overseas customers and hence they get better export performance than those experienced managers who tend to maintain the statuesque

relying on their old customers. Hence, based on the finding, they were able to associate the inverse relationship between the export performance and international experience.

On the other study done by DAS(1994), it was mentioned that manager's experience has little impact on successful exporting companies. However, it was noted also that the target market to which the experienced and inexperienced managers exposed to is also worth considering.

### **Education level**

It is generally believed that educated manager has better export performance possibility as compared to the manager that has less education level. This is due to the mere fact that educated managers can better help their company to use their education and enable their company to leverage on the international market thereby minimizing the global market risks and threats. (Zou and Stan, 1998; Julien and Ramangalary, 2003;(Brodrechtova, 2008). This is better manifested by the capability of educated manager in planning export markets which will in turn increase the performance of the exporting. Based on the studies made by sosa et al(2008) educated managers are more successful in export markets.Hence, advanced education is essential factor in export markets to influence the export performance, Julien and Ramangalary (2003), and Brodrechtova (2008).

### **2.3.2 Firm's Characteristics and Competencies:**

**Firm Size:** The perspective that firm size which is considered as a controllable factor determines whether or not the firm size has positive or negative impact on export performance. Accordingly, firm size, if seen from the perspective of export amount and sales volume, has positive relationship with export performance. (Aaby and Slater, 1989). That is, the bigger the firm size, the better the export performance will be. On the other hand, if firm size is operationalized based on the number of employees it has, then it follows that there is a negative relationship between the firm's size and export performance.

**Firm age:** Generally speaking, the older a firm the better it accumulates knowledge over time and hence owns better capabilities in all terms. This of course, will leverage the firm in the international competition. This further means that export performance of the firm would be better off as the firm get older and experienced when one compares it with young and emerging firms. On the flip side of it, as the firm gets older, it is highly likely that its core capabilities become

more intact and chance of addressing customers' demand in flexible , aggressive and proactive manner will minimize. (Lefebvre and Lefebvre 2001).

**Technology level:** According to Madsen(1987):and Aaby and Slater (1989), technological orientation of a firm has ambiguous effect on export performance. Similarly, it was also established that technology intensity has mixed outcome on export performance (Zou and Stan 1998).

**Human capital:** This concept is associated with technological abilities required by firms so as to be competitive in the export market.in this regard, there are two theoretical models, namely, Neo-technology model which suggests to have a strong and positive relationship between human capital and export intensity, and the second theory being, Hecksher-Ohlin model which forecasts that countries with abundant unskilled labor, investing in skilled labor would be expensive and will result negative effects on exports. While the former model advocates based on the fact that skilled manpower will relatively have better abilities simplifying and keeping foreign contacts, the later looks the case from the cost perspective (van Dijk, 2002 (Willmore 1992, Ramstetter 1999).

**Foreign Contacts and networking:** Different researchers like Louter et al(1991) and Babakus and Yavas(2006) have identified that recurrent contact with customers and increased connections with foreign entities have significant positive effect on export performance and hence determines export performance.

**Export Planning:** Of the determinants of export performance, systematic and careful export planning is one of the reliable factors ( Aaby and Slater (1989), Zou and Stan (1998)) .

### **2.3.3 Export Marketing strategies Capabilities**

Export marketing strategy capability is nothing but the ability of a firm to react or respond to the threats posed or opportunities presented by marketing forces. This concept includes the ability of firms to adjust themselves in accordance with the changes in price, product, promotion, and placement as well as the marketing channels.In light of this, the export performance of a firm can be measured by the strategy of the firm and its ability to apply them.

When we look at the marketing strategy and the marketing strategy capability, the former is normally classified as firm's characteristics, whereas the capacity to design and implement these strategies is something that needs to be seen separately.

In today's globalized world, globalization has brought firms the chance to enter to export markets. Entering to export markets in turn benefits firms in terms of both economies of scale and increased production potentials. This will further help increase productivity of firms. In consideration of such effects, World Bank (2002) has recommended sub-Saharan countries to consider their export marketing strategy as one of their main growth strategy.

This is because; the countries in general and the firms in particular will be better off in the potential gains from export marketing. On the other hand, positive relationship between export marketing strategy and performance had been identified by many of the previous literatures.

Despite these all, it was observed that firms usually tend to focus on the domestic marketing than trying to exploit the potential gains from exporting. Studies made earlier have focused on the effects of marketing strategy on the industry in general with little attention to firm specific factors. Hence, it would be logical to see the link between marketing strategy capabilities and its firm-level export performance. Besides, looking at the factors affecting the two concepts so as to see what determines the export performance is very important.

#### **2.3.3.1 Utilization of international marketing research:**

This refers to the ability of a firm to execute or utilize marketing researches made at international level. As evidenced by many researchers, it has been found that there is a positive relationship between capacity of firms to utilize international marketing research and export sales, growth and export performance.( Madsen (1987) Zou and Stan (1998)).

#### **2.3.3.2 Segmentation and Targeting**

According to Leondidou et al(2002) , the ability of firms to stratify, focus and target on such market has positive relationship with export performance.

#### **2.3.3.3 Product Capabilities**

Product capabilities are those characteristics of a firm product manifested by the strength of the product, level of variation and service qualities. The term product strength in this context refers to such qualities like distinctiveness, patents, marketability etc while variation or product

adaptation includes quality, service, policy, brand name, packaging, trendiness, color and design. Product capability has also to do with the ability of firms to offer pre- and after-sale services to their customers.

All the above characteristics of a product have got positive relationship with export performance as witnessed by various researchers including (Zou and Stan(1998)

#### **2.3.3.4 Pricing Capabilities**

Such capabilities of a firm as to penetrate price and to be able to adapt the prices according to the market demands have been positively correlated to export performance ( Leonidou et al (2002)

#### **2.3.3.5 Distribution Capabilities**

These characteristics include direct channels like firm's distributions channels, outlet offices. It also has to do with channel relationships which are the relationship between affiliated members of the distribution channels.

The term also includes the concept of distribution adaptation which refers to ability to adjust the design of the firm's channel for export marketing and also delivery time.

According to the studies made by Eusebio et al(2007),Cavusgil and Zou(1994) and stan (1998) the above mentioned concepts have positive correlation and are important determinants of export performance.

#### **2.3.3.6 Promotion Capabilities**

The promotion capabilities included different aspects of promotions like advertising, sales promotions and related export promotion programs. Francis and Collins\_Dodd,(2004), Leondidou et al(2002), Zou and Stan (1998) have shown that these concepts are positively correlated and have positive relationship with export performance.

As has been mentioned in different articles, the export performance literature has reported mixed results with regard to the relationship between different independent variables under Management characters tics, Firm characteristics and competence and Export marketing strategy capabilities.

### **3.3. Criticism of previous studies**

The idea to know the determinants of export in general has been established by very fragmented and confusing findings (Aaby and Slater, 1989; Cavusgil and Zou, 1994). This is so mainly due to lack of synthesis and internalization of the fragmented knowledge (Leonidou and Katsikeas, 1996).

For example some of the studies made by Aaby and Slater(1989) and Hamilton(1993) had been limited conclusion because, they were trying to cover wider dimension of the export performance like propensity to export, exporter/non-exporter dichotomy, and barriers to export. Another reason for their limited result was due to the reason that they focused only in to the firm characteristics, competencies and strategy just ignoring the effect of the external environment.

On the other hand, most findings have been contradictory and inconsistent due to varieties and number of conceptualization and operationalization of export performance. Another aspect of why findings were lacking acceptance was due to lack of consistent measure of export performance (Katsikeas, Leonidou, and Morgan 2000; Sousa 2004).

Looking at another aspect of determinants of export performance, the researcher believes that those barriers to export that are mentioned by different researchers can also be considered as the determinant factors for the poor or good performance of export market by the Ethiopian garment and textile factories. Hence, according to Leonidou's work (2000) , the following are proposed as barriers to exporting:

existence of keen competition abroad, inability to offer satisfactory prices, deteriorating of economic conditions abroad, lack of government assistance, limited information to locate and analyze foreign markets, high political risk or instability abroad, perception of high business risks and costs abroad, shortage of working capital, high tariff and non-tariff barriers, inadequate transportation and infrastructural facilities, restrictions imposed by rules and regulations, different customer habits and attitudes, difficulty in locating and obtaining representation, unfavorable foreign exchange rates, different product standards and specifications, inadequate and untrained staff, unfamiliarity of foreign business practice, different cultural traits and language abroad, difficulty in handling documentation and procedures and inability to offer technical after sales service.

From the above findings by Leonudos work, it can be deduced that the above prohibiting factors to export can also be determinants of export and those factors that can be categorized under internal firm level characteristics shall be tested for their significance. Other similar studied by Da silva and Da Rocha, 2001, Ortega (2003), Ahmed, Craig, Baalbaki, and Hadadian, have found more or less similar conclusion as to the factors that hinder export performance.

On this aspect the researcher agrees on the findings but as suggested by Koksai and Kettaneh, (2011), due to difference in economic and socio political conditions of countries, some of these factors needed to be tested for their relationship with the export performance in the context of Ethiopian garment and textile factories. This will be done only for those firm level internal factors after categorizing them in either firm characteristics, management characteristics and marketing strategy capabilities. In addition to the above, Owusu-frimpong and Mmieh, 2007 has also found that factors like high banking charges, low capacity usage and poor technology are considered by exporters to be some of the major barriers to their export and hence, similarly test is done in this research to see if these factors are also relevant in Ethiopian settings.

Likewise, exchange rate fluctuations, risk of losing money in the foreign market, and quality and safety standards are labeled as potential export barriers to firms (Kneller and Pisu, 2011).

According to Mpinganjira, 2011, Factors like quality standard, Noncompetitive price, Limited information about foreign markets, insufficient production capacity etc were identified as the main export barriers.

## **2.3. Conceptual framework**

### **2.2.1. Conceptualization and Operationalization:**

As mentioned in the methodological section of this paper, this study is based on a positive research not interpretive research and it follows the descriptive research method. Hence, the concepts are generally assumed to be known without detailed conceptualization of the terms. However, the way to measure or operationalize them is explained by connecting the different concepts that are defined both in this chapter and in the previous section. Hence, some of the basic and frequently used terms are redefined to ease the understanding and perspectives from which the terms are seen. Similarly, for some terms which have different definitions, they are

clearly conceptualized and operationalized as to which one of the many definitions of the terms has this research been adopted.

On the other hand, the different concepts and definitions have also been argued and criticized to either choose the appropriate definition or redefine the term or create new definition in the aspect of this research. This process went throughout the research work until analysis and conclusion phase. A concept may have multiple definitions; in that case, the contextual definition of the concept based on the research's intent was adopted. For example, As Styles (1998) suggests, export performance constructs, conceptualizations, and operationalization are complex and inconsistent. "No single definition of export performance has been widely accepted and used over the years" (Lages and Lages 2004). In such construct, the intended definition of the researcher was applied.

Just to recapitulate those factors identified as determinants of export performance, the researcher narrows down or group the variables and the diverse classification to three main categories based on their conceptualized and operationalized definitions. Hence, when seen in such grouped approach, the vast perspective can be summarized in to three major categories as, Management characteristics, Firm's characteristics and Export marketing strategic capabilities.

Hence, to the purpose of this research, the management characteristics can further be broken down in to:

- Attitudinal characteristics, skill based characteristics and behavioral characteristics. Namely, Export commitment and support, Customer orientation, perception about export advantage or barriers, export experience and education.

Whereas as the firm's characteristics and competencies can again be broken down to

- ✓ Firm size, technology level, human capital, foreign contacts and networking, export planning, firm age.

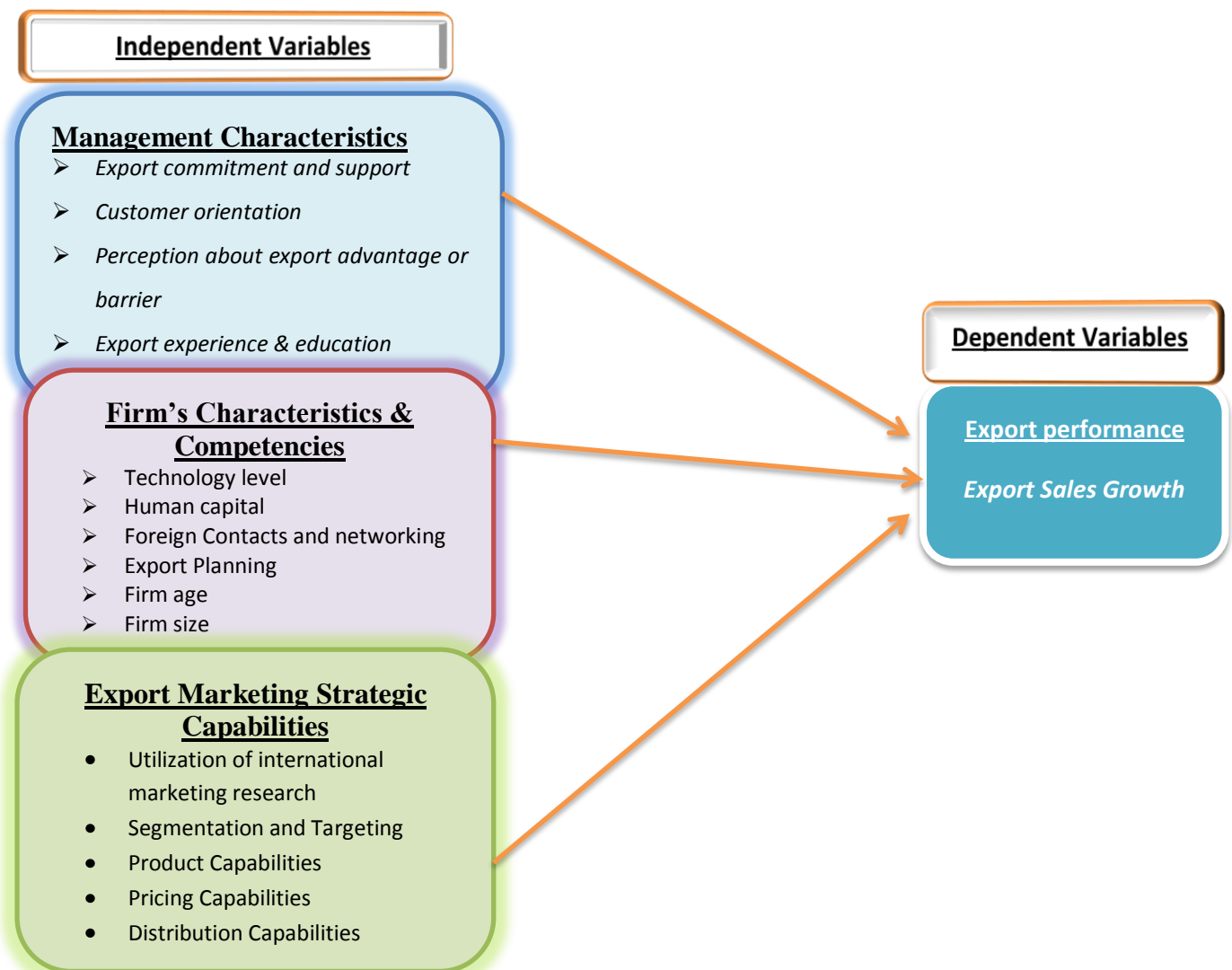
while the Export marketing strategy capabilities are further broken down in to Utilization of international marketing research, Segmentation and targeting ,Product capabilities ,Pricing capabilities ,Promotional capabilities and Distribution capabilities.

On the other hand, among many other export performance measuring options, only the export sales growth rate is taken because,:

- Access for the data to measure performance through non-financial measures like success, goal achievement is very difficult as most of Ethiopian companies don't actually document the specific causes of these parameters
- Access for some of the objective measures like profit, market share and their respective intensity is not readily available by the companies.

Hence, the only data readily available was that the export sales growth rate which is documented by Ethiopian Textile Industry Development Institute (ETIDI).

Therefore, the below model has been adopted & customized to conceptualize the theory and fit the actual firm specific factors in the case of the Ethiopian textile and garment factories.



**Figure 2- 1 : Conceptual Frame work**

**Source:** Extracted from Firm-Level Determinants of Export Performance (Nazar and Saleem, 2009), Zou and Stan(1998)

# CHAPTER THREE

## RESEARCH DESIGN AND METHODS

### 3.1. Study Area Description

Ethiopia is located in the Eastern part of Africa at crossroads between Africa, the Middle East, and Asia. It is bordered by Djibouti and Somalia to the East, Eritrea to the North, Sudan to the West and Kenya to the South. Ethiopia covers an area of 1.14 million Km<sup>2</sup> (445,000 Square miles) and lies within 15 degree north of the equator. The factories under study are spread out across Ethiopia in Northern, Southern, Easter, and middle of Ethiopia.

The factories under study are Almeda Textiles located in Adwa town , MAA garment and textiles located in Mekelle city, Itaka Garment locate 20 Km south of Mekele ,DBL group located in Mekelle, Kombolcha textiles located in Kombolcha, MNS Manufacturing Located at lagatafo(Norht of Addis), Angels cotton & textiles located at legetafo, Shints ETP garment located in BLIZ in Addis , Yirgalem Textiles located in Addis, GMM garment in Addis, Adama spinning located in Adama(nazeret), Else Addis Industrial development located in Adama, Ashton garment inside BLIZ ,Jay Jay garment inside BLIZ, Epic garment inside BLIZ, Raymond Silver spark apparel inside BLIZ, Ayka Addis textile and investment group in Addis, Kanoria Africa textiles in Bishoftu, Bahirdar textiles in Bahirdar city and one more in Awassa Industry park.

While MAA garment and textiles, Almeda Textiles, kombolcha textiles, Bahirdar textiles are engaged in vertically integrated production, the others are engaged in apparel production only.

### 3.2. Research Methodology

This chapter is focused generally on how the research is conducted in relation to methods, tools and approaches to collect, analyze, interpret and conclude the whole process of the research

activity. Hence, firm-level determinants of export performance were explored empirically by using data from textile and garment factories and relevant government institutions like ETIDI. The study employed a cross-sectional survey method and both qualitative and quantitative data were used to assess firm-level determinants of export performance of Ethiopian Garment and Textile factories. The effect of 16 specific factors under management characteristics, Firm characteristics and competence and Export marketing strategy capability on Export performance was evaluated.

### **3.3. Unit of analysis.**

Cavusgil and Zou (1994) and Cavusgil and Kirpalani (1993) advocated that the proper unit of analysis in export performance research should be the export venture: a product and a market combination. However, this study here used the firm as the unit of analysis.

The nature of the problem to be researched calls for a descriptive statistical approach to assess, evaluate and analyze the topic in light of the practices of selected factories both in Addis and elsewhere in Ethiopia.

The fact that Textile and garment industry is labor intensive and is one of those industries which are labeled as priority sectors is one of the main reasons for selecting the sector to evaluate its Firm-level determinants of export performance.

The study applies survey method to assess the Firm-Level Determinants of Export Performance, expressed in terms of management characteristics, firm's characteristics and competencies, and marketing strategy capabilities as variables for the factories sampled.

### **3.4. Data Type and Sources**

For this research the main sources of data were predominantly secondary and quantitative data type were used. The researcher collected primary data through a structured questionnaire from the factories enlisted above and specifically from their respective export managers, General Managers, department heads, section heads, import export officers, owner managers of factories as well as the experts of the sector.

The Secondary data were gathered from the annual export sales report of each factory as compiled for over 5 years. Using census method all the target population are taken, which accounts to a total of 100.

### **3.5. Research Strategy and Design**

#### **3.5.1 Research Strategy**

A survey research strategy with through census in selected factories was necessary as the purpose of this study is to look the determinants of export performance of Ethiopian textiles and garment factories. For the purpose of this research it was condensed to firm-level internal and controllable constructs of management characteristics; firm characteristics and competence; marketing strategies capabilities. These groupings were once again broken down to factories' firm level practical problems so as to match with actual explanations and terms that are being practiced at firm level. This step called for the need to conceptualize and operationalize every floor level variables to match to these generalized and grouped terminologies.

#### **3.5.2. Research Design**

The research is designed as a conclusive researcher design mainly through descriptive research on the cross-sectional data collected. The reason to use this method is because it is a best technique in which information is gathered from a sample of respondents using verbal or written questionnaire and it is more advantageous in terms of time, cost and speed.

As mentioned above, the reason for selecting cross-sectional data survey using census is due to the geographically scattered nature of Ethiopian Textiles and garment factories. Hence, the cross-sectional survey which is data collected at a given point in time will be used to describe the overall population of the factories.

## **3.6. Target Population and Sampling**

### **3.6.1. Target population**

As per the data provided by ETIDI, out of 119 textile and garment factories available in Ethiopia, 60 of them are doing export business and the remaining are just engaged in Domestic market or are not yet ready for export. From those that are exporting, 5 are only textile factories (spinning, knitting, dyeing, and weaving) while 3 are vertically integrated textile and garment factories and the remaining are only dealing with garment manufacturing.

Of these textile and garment factories, 10 factories that have been working for 5 years or more are selected and a total of 100 employees have filled the questionnaire in order to make the analysis more realistic. The sampling method is convenient sampling so that the researcher can see both the export sales and export sales growth at least for the past 5 years easily. The data for those factories experience as obtained from Ethiopian Textile Industry Development Institute (ETIDI).

### **3.6.2. Sample Design and Procedure**

The nature of the factories is such that some factories are vertically integrated starting from cotton processing till garment stitching while the others are just garment stitching factories. Moreover, the factories significantly vary in their size as described by their number of employees and total investment. Hence, the factories will not have equal chance of representation if probability sampling is to be employed. Accordingly the non-probability sampling procedure was chosen due to the difference in their nature and size. All of the textile and garment sector in Ethiopia have been exposed to the same macro and micro level impacts in Ethiopia and therefore it is assumed that the data will be homogenous. For non- probability sampling with homogenous data, 10 factories were selected as per convenient sampling technique and the survey were conducted. The reason for selecting 10 out of the available 60 exporting sampling is so that the data could be as representative as possible with minimum possible cost to collect the data.

The sample respondents were selected by two major criteria. The first reason is that the data to be gathered should be from experienced and managerially positioned individuals. The second reason is that the respondents need to be able to respond to the questionnaire that was to be administered through an online Google forms. By doing so there will minimal non-response rate and that could otherwise be the case the questionnaire was to be administered to ordinary employees. On the other hand, considering their access to information that the researcher would like to collect, general managers, marketing managers, merchandisers, logistics and procurement managers, Human resource managers, Production and quality managers were asked to fill out the questionnaire. This obviously constitutes judgment sampling.

### **3.7. Data Collection Instruments and procedure**

Of the different techniques of data collection procedures, an on-line questionnaire was predominantly employed after appropriate pilot testing was done to fine tune the quality of the questionnaire. Then relevant tests like multi-collinearity test, validity, reliability, homoscedasticity, normality, outliers, goodness of fit test etc were conducted to ensure data integrity and generalizability. Besides, techniques of triangulation were used where applicable.

### **3.8. Data Processing and Analysis**

#### **3.8.1 Data Processing**

Depending on the number of independent and dependent variables examined. 59 questions were distributed to the above mentioned individuals. Then the data was coded, labeled, categorized, and recoded in such a way that it is suitable to input the SPSS software and also in such a way that it is applicable to regression and correlation analysis. The data collected based on questionnaire of 5 step likert scale was then subject to different analysis. Those data collected from secondary data, personal observation and replied in the form of attributes were

also analyzed using descriptive approach. Generally, both descriptive and inferential statistics have been employed

### **3.8.2 Data Analysis**

As mentioned above, after the data is collected, refined and sorted in a way that fit to data entry requirements by SPSS, linear regression and correlation along with its complimentary concepts were employed to examine the extent to which the dependent variables, in this case, export sales growth is affected by the independent variables. The result was then compared with the concept out laid in the conceptual frame work and literature review section to reach at a valid conclusion and recommendations.

### **3.9. Validity & Reliability**

#### **VALIDITY:**

Validity represents the “truth” or accurate representation of the information to the overall population. It is the process of checking if the measurements are measuring what is believed to be measured. Accordingly, both internal validity and external validity have been checked during the study. The internal validity which the ability to draw conclusion about casual conclusion from the data and the external validity which shows the extent to which the results can be generalized to other population and setting have been proved to be valid in this study.

#### **RELIABILITY:**

Reliability on the other hand, shows the consistency of the result if the investigation has been carried out again using the same method. Hence, the internal consistency was measured and found to be majorly reliable. The crombach alpha test was used mainly to check the reliability of the data.

# CHAPTER FOUR

## RESULT AND DISCUSSION

### 4. 1. Demographic characteristics

Table 4-1 below shows frequency and percentage of background variables of participants participated in this study. A total of 100 participants involved in this study of which one-fifth (20%) were female and the remaining and majority, 80%, were male. Almost one-third of participants (33%) were in the age range of 31-35 years old, 29% were in the age range of 26-30 years old. Besides, of the respondents, 16% were within the age range of 36-40 and those above 40 were 14% of while the minorities of participants, 8%, were in the age range of 21-25 years old.

Regarding educational level of participants, the majority, 69%, were having educational qualification of First Degree and 23(23%) of them have Master's degree , 6(6%) have Diploma whereas the remaining minorities, 2(2%) were having educational level of below diploma.

As far as the total experience of participants' company is concerned, 39% of participants reported that they have 1-5 years of experience. 30% of participants reported that they have 6-10 years of experience. 17% said that they have 11-15 years of experience and the remaining 14% reported that they have more than 15 years of experience.

Finally, participants' experience in managing their company was asked. Equal proportions of participants (44%) reported that they had less than 5 years of experience and 5-10 years in managing their company. The remaining equal proportions of 6% reported that they had 11-15 years and more than 15 years of experience in managing their company.

**Table 4- 1:Effect of independent variable on dependent variables**

Background variable	Group	Frequency	Percent
Gender	Male	80	80.0
	Female	20	20.0
	Total	100	100.0
Age	21-25	8	8.0
	26-30	29	29.0
	31-35	33	33.0
	36-40	16	16.0
	Above 40	14	14.0
	Total	100	100.0
Educational level	Below Diploma	2	2
	Diploma	6	6
	1st Degree	69	69
	Masters	23	23.0
	Total	100	100.0
Experience in exporting	1-5 years	39	39.0
	6-10 years	30	30.0
	11-15 years	17	17.0
	Above 15	14	14.0
	Total	100	100.0
Experience in managing	less than 5 years	44	44.0
	5-10 years	44	44
	11-15 years	6	6
	More than 15 years	6	6.0
	Total	100	100.0

## 4.2. Firm-Level Determinants and Export Growth

As has been mentioned in the methodology chapter of this paper, SPSS software has been used to analyze the primary data collected through likert scale.  $R^2$ , which is the proportion of variance in the dependent variable that can be explained by the independent variables as shown in each model summary, is the important output to be considered. However, apart from being an overall

measure of the strength of association, R<sup>2</sup> does not reflect the extent to which any particular independent variable is associated with the dependent variable. R<sup>2</sup> should be above 0.5.

The Bs shown in the coefficient tables are the beta coefficients that indicate the degree of influence the corresponding independent variable has on variations in the predicted variable (the higher the value of B, the more influential the independent variable) and the sign (positive or negative) indicates the nature of the relationship (whether the independent variable and the dependent (predicted) variable move together or in opposite directions). For a variable to be considered as significant, the significant levels should be below 0.05.

This means that there is only a 5 percent probability that the independent variable does not influence the dependent variable in the reported manner (negatively and with a certain beta coefficient value). So, assuming a beta coefficient for a particular independent variable is statistically significant (Sig. < .05) it can be concluded that the value of the dependent variable will be determined.

As specified in the literature review and Conceptual frame work sections, the firm level determinants of export performance are viewed in three dimensions .Namely, Management characteristics, Firm characteristics & competence and Export Marketing strategy capabilities. Accordingly, each of this dimensions has been manifested in number of factors as below:

To help distinguish questions designed under likert scale each of the questions numbers are labled with letter “L” whereas those questions under Personal data or company profile are labled with letter “PQ” in front of the question numbers.

#### Management Characteristics

1. Export commitment and support as depicted in Questions numbers: L7, L52, L53, L54
2. Customer orientation , as depicted in Question numbers: PQ6, L5, L44, L47
3. Perception about export advantage and barriers, as depicted in Question numbers L2, L3, L4
4. Export experience & education as depicted in Question numbers:PQ3, PQ4, PQ5, L1, L8

#### Firm’s Characteristics and Competencies:

1. Technology level as depicted in Question numbers: L10, L51,

2. Human capital as depicted in Question numbers: L11, L43, L15, L6,
3. Foreign Contacts and networking as depicted in Question numbers: L40, L42,
4. Export Planning as depicted in Question numbers: L12

**Export Marketing Strategies Capabilities**

1. Utilization of international marketing research as depicted in Question numbers: L19, L29, L35
2. Segmentation and Targeting as depicted in Question numbers: L25, L27, L33
3. Product Capabilities as depicted in Question numbers: L17, L18, L20, L23, L26, L28, L39, L41
4. Pricing Capabilities as depicted in Question numbers: L14, L16, L21, L30, L36, L37, L38
5. Distribution Capabilities as depicted in Question numbers: L24, L31, L34,
6. Promotion Capabilities as depicted in Question number: L22, L48, L49, L50

Accordingly, the impact of each question was analyzed to see as to how these independent variables affect the dependent variable sales growth.

In Addition to the above, all relevant tests such as Goodness of fit test, multicollinearity, Outliers, normality, linearity, homoscedasticity, independence of residuals have been conducted as shown below.

### **4.3. Level and relationship of independent and dependent variables**

#### **4.3.1 Level of Dependent and Independent Variables**

**Table 4- 2 Descriptive Statistics of Variables**

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Management Characteristics (MC)	100	32.00	51.00	42.1600	4.55210
Firm Characteristics (FC)	100	16.00	35.00	25.5100	5.68446
Export Marketing Stra (EMS)	100	52.00	114.00	75.4700	11.92523
Sales growth	100	-89.00	7750.00	113.7769	779.05915

Table 4-2 shows that the calculated mean, minimum, maximum score and standard deviation of variables. The calculated mean score of MC was 33.37 with a standard deviation of 4.07 and the hypothetical mean score of MC was 36. This means in 12 items of a 5-point Likert scale the possible score ranges from 12(12 x 1 = 12) to 80 (12 x 5 = 80) and the hypothetical mean score becomes 36(12 x 3 = 36). The calculated mean score was less than the hypothetical mean score. This implies that the level of MC was low or below average.

In a similar manner, the calculated mean score of FC and EMS were less than their corresponding hypothetical mean score These imply that participants' perceived level of FC and EMS was low or below average.

### 4.3.2. Relationship between Independent and Dependent Variables

**Table 4- 3:relationship between independent and dependent variables**

	Sales Growth	Management Characteristics	Firm Characteristics	Export Marketing Strategies
Sales Growth	1	.171	.074	.361**
Management Characteristics	.171	1	-.006	.200*
Firm Characteristics & competency	.074	-.006	1	.520**
Export Marketing Strategies capability	.361**	.200*	.520**	1

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

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

Correlation analysis estimates the extent of the relationship between any pair of variables (Reimann, Filzmoser, Garrett, & Dutter, 2008). The correlation coefficient is a measure of this relationship and depends on the variability of each of the two variables. Because of covariance, correlation coefficient can take a number with + or – sign (Reimann et.al, 2008). One of the widely-used methods to calculate a correlation coefficient is the Pearson product moment correlation.

This method result in a number between  $-1$  and  $+1$  that expresses how closely the two variables are related,  $\pm 1$  shows a perfect 1:1 relationship (positive or negative) and 0 indicates that no systematic relationship exists between the two variables (Reimann et.al, 2008). In relation to the magnitude of correlation coefficient, Cohen (1988) stated that a correlation coefficient between 0.10 to 0.29 can be considered as small or weak, from 0.30 to 0.49 medium and from 0.50 to 1.0 large or strong.

Table 4-3 shows correlation between dimensions of dependent and independent variables. As can be seen in table 4-3, sales growth had statistically positive significant relationship only with Export Marketing Strategies (EMSC). This implies that as one variable increase, the other variable also increases and vice-versa. There was medium correlation between sales growth and EMSC,  $r = 0.361$ ,  $p < 0.01$ . However, the correlation between sales growth and Management characteristics (MC) as well as sales growth and firm characteristics (FC) were not statistically significant.

Table 4-3 also shows the correlation among independent variables. The result indicated that the correlation between EMSC and MC, EMSC and FC were positive and statistically significant. There was a statistically significant strong positive correlation between EMS and FC,  $r = 0.520$ ,  $p < 0.01$ . There was a moderate correlation between EMS and MC,  $r = 0.20$ ,  $p < 0.05$ . However, the correlation between MC and FC was not statistically significant.

#### **4.4. Multiple Linear Regression results and tests**

##### **Tests of assumptions for Multicollinearity, Outliers, normality, linearity, homoscedasticity, independence of residuals**

##### **Multicollinearity**

The variables (dimensions of MC, FC and EMS) have shown significant relationship with each other which was a correlation coefficient of greater than 0.6. These correlation coefficients were not too high. To avoid the multicollinearity effect, the predictor variable was removed from the model. In such a way, the assumption of multicollinearity was not violated. In addition, the assumption of multicollinearity can be assessed using SPSS as part of multiple regression

procedure. In the collinearity statistics section, Tolerance and VIF values are given. Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model and is calculated using the formula  $(1 - R^2)$  for each variable.

If this value is small (less than 0.10) it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity.

In this study the tolerance value for each independent variable was not less than 0.10 therefore, this also suggests that the assumption of multicollinearity was not violated (see table 4-4).

The other value given is the VIF (Variance inflation factor), which is just the inverse of the Tolerance value. VIF values above 10 would indicate multicollinearity. Again in the present study the VIF value was less than 10 for all independent variables (see table 4-4). This also indicates that the assumption of multicollinearity was not violated.

**Table 4- 4:Collinearity Statistics Test of Independent Variables**

Collinearity Statistics		
	Tolerance	VIF
Firm Age	.703	1.422
Export Commitment	.650	1.540
Customer Orientation	.685	1.460
Perception	.654	1.530
Export Experience	.012	6.061
Technology level	.613	1.632
Human Capital	.313	3.199
Foreign Contacts	.706	1.417
Export Planning	.571	1.751
Utilization of International Mar Research	.015	5.788
Segmentation and Targeting	.376	2.657
Product Capabilities	.211	4.748
Pricing Capabilities	.604	1.655
Distribution Capabilities	.532	1.881
Promotion Capabilities	.035	3.932
Firm Size2	.275	3.640

**Homoscedasticity** - "homogeneity of variance" assumption or homoscedasticity. It states that the variances of the same variable, selected from independent samples, will be equal. In regression analysis, this assumption states that the variances of the  $Y$ s, for each  $X$ , will be equal. The standard suggestion for examining the assumption of homoscedasticity in regression analysis is to plot the predicted  $Y$  values against the residual values. Heteroscedasticity is indicated when these values spread or fan out from left to right or right to left. The scatterplot shows that the points are concentrated around 0 which shows that no violation of homoscedasticity (see figure 4-1). Of course, there is only one single point that appear to be an outlier in below. Compared to most of the data shown, it is almost insignificant to affect the whole population as the analysis was done by excluding this outlier data.

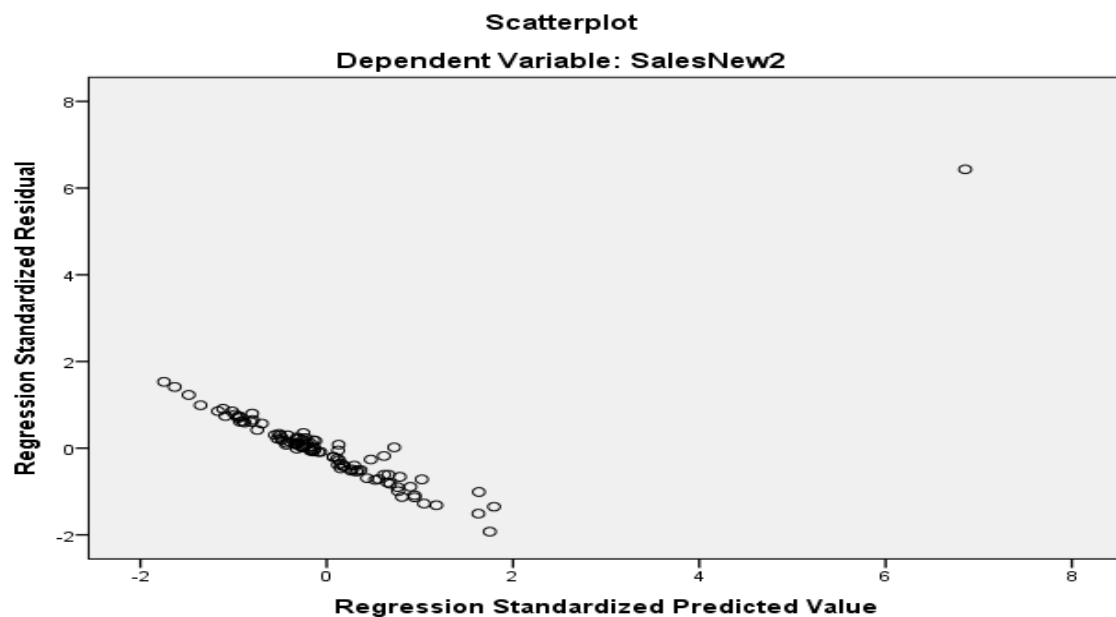


Figure 4- 1: Scatter plot of sales growth

### Outliers, normality, linearity, independence of residuals

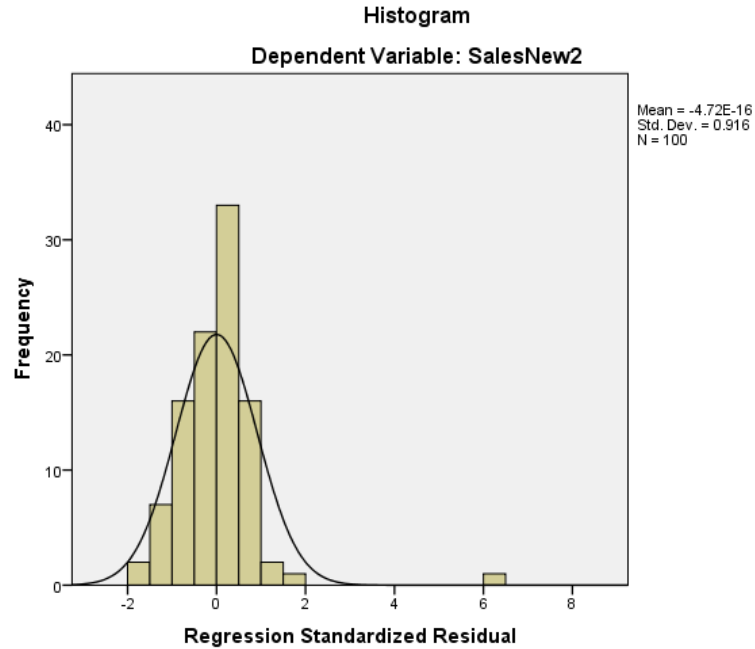
These assumptions can be checked by inspecting the Normal Probability Plot (P-P) of the Regression Standardized Residual and the Scatterplot shown as part of the analysis. If points lie in a reasonably straight diagonal line from bottom left to top right in the Normal P-P plot, no major deviation from normality can be suggested. In the present study, we can easily inspect

from the Normal P-P plot that points line in a reasonably straight diagonal line from bottom left to top right for all dependent variables (see figure 4-2).

This suggests that the assumption of normality was not violated. In the Scatterplot of the standardized residuals, the residuals were **roughly regular** with most of the scores concentrated in the center, along the line 0. As can be seen in the histogram, the points are mostly normally distributed and not skewed as shown in figure 4-3. This also suggests no violation of the assumption of independence of residuals. Outliers can also be detected from the Scatter plot. From this Scatter plot we can find that there were no major outliers.



Figure 4- 2: P-P plot of Sales



**Figure 4- 3:Histogram of Sales growth**

In general, as we can understand from the above paragraphs, all the essential assumptions, such as multicollinearity, Outliers, normality, linearity, homoscedasticity, independence of residuals for computing regression analysis were not violated for using linear regression.

**Table 4- 5: The Influence of Dimensions of MC, FCC and EMSC on the Sales growth**

*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.734 <sup>a</sup>	.539	.450	577.56194

- a. Predictors: (Constant), FirmSize2, SegmentationandTargetingTotal, FirmAge, ForeignContactsTotal, ExportPlaningTotal, ExportCommitmentTotal, TechnologylevelTotal, PricingCapabilitiesTotal, CustomerOrentationTotal, PerceptionTotal, DistributionCapabilitiesTotal, HumanCapitalTotal, ExportExperianceTotal, ProductCapabilitiesTotal, PromotionCapabilitiesTotal, UtilizationInternationalTotal

b. Dependent Variable: Sales growth

As shown in table 4-5the value of R square is 0.539. This value tells how much of the variance in the dependent variable Sales growth is explained by the model (SegmentationandTargetingTotal, FirmAge,ForeignContactsTotal,ExportPlaningTotal,ExportCommitmentTotal,TechnologylevelTotal,PricingCapabilitiesTotal,Cus

CustomerOrientationTotal, PerceptionTotal, DistributionCapabilitiesTotal, HumanCapitalTotal, ExportExperienceTotal, ProductCapabilitiesTotal, PromotionCapabilitiesTotal, UtilizationInternationalTotal).

In other words, multiplying R Square value with 100, the model explains 53.9% of the variance in the dependent variable (sales growth). The adjusted R<sup>2</sup> shows that only 45% of the variance or symptoms are being accounted for this multiple regression model.

**Table 4- 6: Goodness of Fit – ANOVA Result**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	32399426.131	16	2024964.133	6.070	.000 <sup>b</sup>
Residual	27686957.238	83	333577.798		
Total	60086383.369	99			

a. Dependent Variable: Sales growth

b. Predictors: (Constant), FirmSize2, SegmentationandTargetingTotal, FirmAge, ForeignContactsTotal, ExportPlaningTotal, ExportCommitmentTotal, TechnologylevelTotal, PricingCapabilitiesTotal, CustomerOrientationTotal, PerceptionTotal, DistributionCapabilitiesTotal, HumanCapitalTotal, ExportExperienceTotal, ProductCapabilitiesTotal, PromotionCapabilitiesTotal, UtilizationInternationalTotal

The goodness of fit results of linear multiple regressions with sales growth as the dependent variable and variables (MC, FC and MSC) as predictors are reported in table 11. The model reveals a statistically significant relationship between dependent and predictor variables,  $F(16,83) = 6.07, p < 0.001$ . In other words the model was significant.

**Table 4- 7: Regression Coefficients of Predictor Variables to the Dependent Variable,**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-5782.318	1198.806		-4.823	.000
<b>Management characteristics</b>					
Export Commitment	50.420	29.385	.159	1.716	.090
Customer Orientation	-22.850	31.860	-.065	-.717	.475
Perception	-17.084	28.507	-.055	-.599	.551
Export Experience & education level	-621.879	184.412	.822	-3.372	.001
<b>Firm characteristics &amp; competency</b>					
Firm Age	26.973	8.933	.268	3.019	.003
Technology level	77.747	42.038	.176	1.849	.068
Human Capital	88.281	27.040	.435	3.265	.002

Export Planning	36.328	72.158	.050	.503	.616
Foreign Contacts	-47.779	22.540	.188	-2.120	.037
Firm Size	.212	.072	.417	2.931	.004
<b>Export Marketing strategic capability</b>					
Utilization of International Marketing Research.	63.381	188.326	.202	.337	.737
Segmentation and Targeting	117.361	55.493	.257	2.115	.037
Product Capabilities	-94.556	23.754	.646	-3.981	.000
Pricing Capabilities	55.720	15.253	.350	3.653	.000
Distribution Capabilities	66.224	32.759	.207	2.022	.046
Promotion Capabilities	821.078	159.847	.586	5.137	.000

a. Dependent Variable: **Sales growth**

In order to assess the influence of predictor variables (SegmentationandTargetingTotal, FirmAge, ForeignContactsTotal, ExportPlaningTotal, ExportCommitmentTotal, TechnologylevelTotal, PricingCapabilitiesTotal, CustomerOrentationTotal, PerceptionTotal, DistributionCapabilitiesTotal, HumanCapitalTotal, ExportExperianceTotal, ProductCapabilitiesTotal, PromotionCapabilitiesTotal, UtilizationInternationalTotal) on the criterion variable, Sales growth, multiple linear regression analysis was computed.

The table 4-7 shows that different outcomes to all independent variables enlisted. This is justified as below:

### **Management characteristics**

Export experience and education level is the only statistical predictor of export growth at 5% significance level. The rest are not significant determinants of the export growth at 5% significance level. Export commitment has weak relationship in explaining the dependent variable, export growth. The rest customer orientation, perception to export advantage and barriers are statistically insignificant.

### **Firm Characteristics**

From variables grouped under firm characteristics, all except the two predictor variables have significant effect in predicting the dependent variables. That is, variables like Firm Age, Human Capital, Foreign Contacts, made statistically significant prediction of the dependent variable.

Whereas, variables like Technology level and export planning has no significant effect in predicting the export growth rate which is expressed as export sales growth.

### **Export Market Strategy Capability**

Segmentation and Targeting, Product Capabilities, Pricing Capabilities, Distribution Capabilities, and Promotion Capabilities made a statistically significant prediction in predicting the dependent variable, Sales growth.

The Beta value tells the contribution or influence of each independent variable to the dependent variable. In the table 4-7 above, the Beta value for predictor variable Export Experience & education was 0.822 which implies that this predictor variable made the first strong positive and statistically significant influence in explaining or predicting the dependent variable (Sales growth) when the variance explained by all other variables in the model is controlled for.

In addition, Product Capabilities made a statistically significant positive prediction to the dependent variable with Beta value of 0.646. This implies that Product Capabilities made the second strong influence in predicting the criterion variable, Sales growth.

Promotion Capabilities made the third strong influence with Beta value of 0.586. Human Capital made the fourth influence, Firm Size made the fifth, Pricing Capabilities made the sixth, Firm Age made the seventh, Segmentation and Targeting made the eighth, Distribution Capabilities made the ninth and Foreign Contacts made the tenth influence in predicting sales growth.

However, predictor variables like Export Commitment, Customer Orientation, Perception, Technology level, Export Planning and Utilization of International Marketing Research didn't make a statistically significant influence in predicting the criterion variable, sales growth.

## **4.5. Secondary Data Analysis**

### ***A. Over all (macro level) export performance***

#### ***i. Export sales in comparison of annual "performance to performance" data***

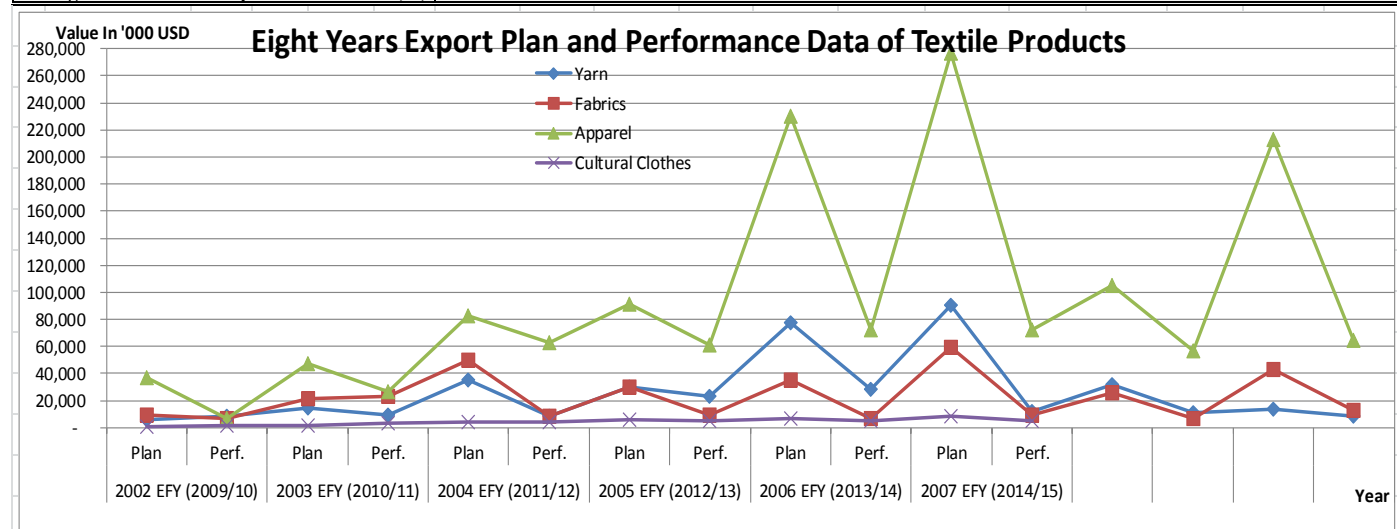
As shown in Table 4-8 below, the export sales performance of textile and garment was consistently increasing most of the time. Looking at the overall annual Export sales, it is evident

that export sales peaked to above 111,353,000 USD for five years from 2009/10 up to 2013/14 and then declined by 12 percent in 2014/15(98,061,000 USD),by 20% in 2015/16 (77,971,000 USD) then increased by only 15% in 2016/17(89,340,000 USD) .

When one looks at the macro level instead of firm-level, the above data reveals that the export sales grew by an average of **35%**. This could be mainly due to the effect of increasing number of new textile and garment investments (new entrant) to the sector as shown in Table 4-8 below.

**Table 4- 8: planned vs export performance data**

Eight Years Export Plan and Performance Data of Textile Products																	(000 USD)	
No	Type of Product	2002 EFY (2009/10)		2003 EFY (2010/11)		2004 EFY (2011/12)		2005 EFY (2012/13)		2006 EFY (2013/14)		2007 EFY (2014/15)		2008 EFY (2015/16)		2009 EFY (2016/17)		
		Plan	Perf.	Plan	Perf.	Plan	Perf.	Plan	Perf.	Plan	Perf.	Plan	Perf.	Plan	Perf.	Plan	Perf.	
1	Yarn	6,028	8,522	14,116	9,124	34,983	8,891	29,703	23,464	77,348	28,147	90,335	12,199	31,577	11,059	13,882	8,212	
2	Fabrics	9,659	6,325	21,583	22,984	49,781	8,284	29,904	9,599	35,544	6,321	59,248	9,185	26,073	6,989	42,752	12,777	
3	Apparel	36,857	6,667	47,661	26,734	82,500	63,090	91,185	61,009	230,029	72,148	276,920	72,030	105,355	56,490	212,953	64,339	
4	Cultural Clothes	1,000	1,696	1,770	3,382	4,112	4,361	5,810	4,916	7,078	4,738	8,363	4,647	1,994	3,433	1,413	4,012	
	Total	53,544	23,210	85,130	62,224	171,376	84,626	156,602	98,988	350,000	111,353	434,867	98,061	165,000	77,971	271,000	89,340	
Annual Growth Rate (%) Perf vs plan			-57%		-27%		-51%		-37%		-68%		-77%		-53%		-67%	
Average Annual Perfor vs plan Growth Rate(%)											-55%							
Annual perf vs perf Growth Rate (%)			61%		168%		36%		17%		12%		-12%		-20%		15%	
Average Annual Perfor vs plan Growth Rate(%)											35%							



**Figure 4- 4 :plan vs export performance graph**

Source: Ethiopian Textiles industry development institute

**Table 4- 9: Number of new textile & garment investments across the year**

<i>Number of companies</i>	<i>Years in E.F.Y</i>							
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
New		7	10	11	16	14	19	32
existing	80	87	97	108	124	138	157	189
<b>Total</b>		<b>94</b>	<b>107</b>	<b>119</b>	<b>140</b>	<b>152</b>	<b>176</b>	<b>221</b>
growth rate% of new			43%	10%	45%	-13%	36%	68%

*Source: Ethiopian Textiles industry development institute*

However, based on the assumption of export sales growth as a measure of the export performance of firms, it could be possible to infer that the textile & garment industry export growth **has been increasing moderately at a national level due to an increase in new investments.**

Government's relentless effort to bring in new foreign direct investment along with its effective investment promotion mechanisms could be one of the reasons why export sales had grown.

This presumption appears to be justified as one looks at the 32% average growth of new investment annually which is quite similar to the average annual sales growth rate of the sector. Besides, the fact that the rate at which the sales growth has declined from 2013/14 onwards witnesses that firm level export performance must have been very low.

This implies that **individual firms need to find a way to increase their sales by identifying key determinant factors** that affects their export performance. The trend indicates that export performance in the sector generally is growing slowly though it is fluctuating unpredictably.

Again, this nature of unpredictability could be due to the unpredictable nature of how many more new firms could enter in to the sector. This unpredictable nature of growth could be due to the fact that the predictors of the export performance are beyond the control of the firms. This is quite the same with the primary data collected directly from the export managers of each firm.

**ii. Export sales in comparison of annual “sales performance to planned sales” data**

As one can see from the above macro level planned vs actual sales performance, it is evident that the sales export has been severely and consistently declining across the years as shown in table 4-9 above.

The annual sales growth rate as seen by “performance vs plan” has declined by an average of - **55%**, which is pretty higher than the sales growth rate when seen from “performance to performance” bases. Again this proves that the key factors that are affecting the export performance at firm level need to be identified and acted up on in such a way the firm level export sales is increased. If individual firm level sales performance grows, obviously, the overall sales performance at macro level will inevitably be increased.

This is exactly the **same finding with the major factors identified by Ethiopian government for the reasons to decline export performance at firm level**. As has been mentioned in the GTP1 performance evaluation report, of the main reasons for low export sales performance of the sector the below points are summarized as being the challenges that took the lion’s share for the problem:(“ETIDI GTP 1 Performance Evaluation Amharic and English.pdf,” n.d.)

- Low level of technical and managerial capability
- In adequate skilled manpower
- Weak linkage to markets
- Low productivity and quality
- Under capacity utilization

All of the above attributes to a firm level factors that determine the export performance.

***B. Firm-level (specific) export performance***

**i. “planned vs Actual” export sales performance**

As shown in the table 4-10 below, examining the individual firm level performance clearly explains that the export sales growth of almost all of the sampled textile and garment factories have declined all the time across years (2010/11-2016/17).

Of the ten factories sampled, each of the showed consistent declines in annual export sales ranging from an average of **-37% to -90%** of deviation from what each individual firm had planned to accomplish.

This is again in consistent with the evidence from the secondary data mentioned in GTP1 evaluative report.

Even though the specific internal firm-level factors affecting the export performance are different for different factories, it can generally be inferred that the internal firm level factors as identified both in the literature review and in the quantitative analysis (SPSS) plays significant role in determining the export performance as measured in terms of Export sales growth.

**Table 4- 10:Firm-level export performance by sales growth**

S/N	Name of Company	2003 EFY	2004 EFY	2005 EFY	2006 EFY	2007 EFY	2008 EFY	2009 EFY	7 years Average
		(2010/11)	(2011/12)	(2012/13)	(2013/14)	(2014/15)	(2015/16)	(2016/17)	
in (000 USD)									
1	<b>C1 Plan</b>	27,553	62,254	72,000	117,682	132,406	58,146	60,956	75,857
	performance	37,246	60,773	56,133	62,992	56,886	33,795	26,235	47,723
	<b>Growth %</b>	<b>35%</b>	<b>-2%</b>	<b>-22%</b>	<b>-46%</b>	<b>-57%</b>	<b>-42%</b>	<b>-57%</b>	<b>-37%</b>
2	<b>C7 plan</b>	56	2,200	413	3,537	2,610	406	2,415	1,662
	performance	131	287	155	538	697	963	423	456
	<b>Growth %</b>	<b>134%</b>	<b>-87%</b>	<b>-62%</b>	<b>-85%</b>	<b>-73%</b>	<b>137%</b>	<b>-82%</b>	<b>-73%</b>
3	<b>C11 plan</b>	-	406	516	1,725	474	229	288	520
	performance	109	143	345	221	188	164	927	300
	<b>Growth %</b>		<b>-65%</b>	<b>-33%</b>	<b>-87%</b>	<b>-60%</b>	<b>-28%</b>	<b>222%</b>	<b>-42%</b>
4	<b>C40 plan</b>	5,526	13,563	9,929	15,081	10,342	6,060	6,768	9,610
	performance	3,744	5,058	7,639	7,440	5,902	4,304	4,758	5,549
	<b>Growth %</b>	<b>-32%</b>	<b>-63%</b>	<b>-23%</b>	<b>-51%</b>	<b>-43%</b>	<b>-29%</b>	<b>-30%</b>	<b>-42%</b>
5	<b>C41 plan</b>	9,814	21,425	9,000	17,274	13,706	7,511	10,112	12,692
	performance	2,834	6,778	7,512	9,525	4,726	6,075	1,154	5,515
	<b>Growth %</b>	<b>-71%</b>	<b>-68%</b>	<b>-17%</b>	<b>-45%</b>	<b>-66%</b>	<b>-19%</b>	<b>-89%</b>	<b>-57%</b>
6	<b>C45 plan</b>	12,477	12,420	7,199	13,956	1,275	1,250	1,338	7,131
	performance	2,409	898	336	136	344	244	685	722
	<b>Growth %</b>	<b>-81%</b>	<b>-93%</b>	<b>-95%</b>	<b>-99%</b>	<b>-73%</b>	<b>-80%</b>	<b>-49%</b>	<b>-90%</b>
7	<b>C49 plan</b>	1,522	734	865	780	1,492	1,038	1,038	1,067
	performance	563	420	741	748	890	777	727	695
	<b>Growth %</b>	<b>-63%</b>	<b>-43%</b>	<b>-14%</b>	<b>-4%</b>	<b>-40%</b>	<b>-25%</b>	<b>-30%</b>	<b>-35%</b>
8	<b>C54 plan</b>	348	255	230	1,899	546	450	1,296	718
	performance	45	33	72	90	415	1,131	992	397
	<b>Growth %</b>	<b>-87%</b>	<b>-87%</b>	<b>-69%</b>	<b>-95%</b>	<b>-24%</b>	<b>151%</b>	<b>-23%</b>	<b>-45%</b>
9	<b>C60 plan</b>	90	100	184	275	80	75	820	232
	performance	43	-	124	72	56	42	249	98
	<b>Growth %</b>	<b>-52%</b>	<b>0%</b>	<b>-33%</b>	<b>-74%</b>	<b>-30%</b>	<b>-44%</b>	<b>-70%</b>	<b>-58%</b>
10	<b>C61 plan</b>	230	271	259	725	260	366	210	332
	performance	86	96	136	98	32	49	47	78
	<b>Growth %</b>	<b>-63%</b>	<b>-65%</b>	<b>-47%</b>	<b>-86%</b>	<b>-88%</b>	<b>-87%</b>	<b>-78%</b>	<b>-77%</b>

Source: Ethiopian Textiles industry development institute

## ii. Comparison of actual performances across years

In contrast to the above “planned vs actual” performance comparisons, table 4-11 below shows very inconsistent and unpredictable sales growth rate in which sometimes it increase and another times decreases.

In an effort to see the effect of certification on firm’s export performance, of the 100 respondents of the questionnaire, 86 of them replied as having at least one or more international certificate that helps them attract buyers. One explanation for the increase in sales growth could possibly be

due to internal factors like certifications of firms. Another explanation could be the fact that almost all of the firms are beneficiary of incentives and privileges provided by the Ethiopian government to help firms increase their export sales.

On the other hand, the decrease in export sales is mainly attached to firm-level internal factors as mentioned in the secondary source of GTP evaluative reports.

In any of the above cases, however, it is evident that the unpredictable nature of export sales from the perspective of actual performance comparisons is justified by factors other than internal variables at firm level. This is because the various incentives, privileges and supports exceptionally provided only to these exporting firms put them in a better competitiveness and better access to market. This means that the reason for firms to underperform in their sales growth must have been internal firm-level factors. This is consistent with the findings of the significant factors identified in the regression analysis section.

**Table 4- 11: sales growth rate previous performance vs subsequent performance**

<b>Sales Growth rate per each firm per year and firm age, firm size</b>									
<b>Name of Company</b>	<b>Firm age (years)</b>	<b>Firm size (No.emp)</b>	<b>2003 EFY (2010/11)</b>	<b>2004 EFY (2011/12)</b>	<b>2005 EFY (2012/13)</b>	<b>2006 EFY (2013/14)</b>	<b>2007 EFY (2014/15)</b>	<b>2008 EFY (2015/16)</b>	<b>2009 EFY (2016/17)</b>
C7	8	745	-	1.19	-46%	247%	30%	38%	-56%
C11	10	150	-	31%	141%	-36%	-15%	-13%	465%
C40	32	1550	233%	35%	51%	-3%	-21%	-27%	11%
C41	8	893	-	139%	11%	27%	-50%	29%	-81%
C45	24	5600	10%	-63%	-63%	-60%	153%	-29%	181%
C49	14	635	-24%	-25%	76%	1%	19%	-13%	-6%
C54	13	239	80%	-27%	118%	25%	361%	173%	-12%
C60	15	209	-	12%	42%	-28%	-67%	53%	-4%
C3	5	1629	-	-	-	0%	0%	538%	53%
C40	15	1488	233%	35%	51%	-3%	-21%	-27%	11%

155%      37%      32%      6%      -26%      12%      -6%

Source: analyzed but original secondary data from TIDI

## 4.6. Discussion

### Management characteristics:

In general terms, Management characteristics mainly have no significant effect on the dependent variable with the exception of “Export experience & education level” from the group with in Management characteristics. This shows that firms with good **management characteristics toward export doesn’t necessarily mean that they have high export sales growth.**

Thus, Management characteristics majorly do not significantly determine export performance in the Ethiopian Textile and garment factories with the exception of the predicting variables of experience and education level.

This finding is consistent with study of Cooper and Kleinschmidt, (1985) who found a non-significant effect and a few others (e.g. Chartien, 1993; Christien, 1988) reported a negative effect as cited in Zou and Stan (1998). For example in the review of empirical literature between 1987 to 1997 done by Zou and Stan(1998), It was found out that managerial experience and education level has positive significant effect in 2 studies while it has non-significant effect in other 4 studies.

One **exception** here is that management commitment is surprisingly found to be insignificant in this study. This could probably be associated to the fact that most of the **foreign owned factories sampled during the study have reluctant commitment towards export marketing.**

This finding is supported by the government’s reasons depicted that one of the reasons for low export growth is that management of exporting factories prefer to sell to domestic market instead of being committed to export.(“ETIDI GTP 1 Performance Evaluation Amharic and English.pdf,” n.d.). on the other hand, the foreign invested textile and garment factories are mainly managed by foreigners who has **foreign contact and alliance.**

It was empirically reported that significant number of them have been associated with **transfer pricing and capital flights.** For example, this is evidenced by the fact that out of the 9 Turkish owned factories more than 4 of them have already retransferred the money they got in Ethiopia

back to their country. Besides, such factories are found to focus on domestic market instead of export market. Hence, the commitment to export is insignificant to the export sales growth in this particular example.

Export experience and education level of managers had a positive effect on export performance. This is supported by **Zou and Stan (1998)** since they found that managers' level of formal education and general business experience has significant effect on export sales growth, and profits. It is also found that a higher educational level is also found to provide the manager with a greater awareness of international issues and the reality of business life Bellaaj & Akrou, (2005) cited in Carole Maurel, (2009).

From the finding of the regression analysis, though export experience and education level has been found to be significant, it was also found out that it was negatively related to export performance which is manifested by export sales growth rate.

This could possibly be justified by some rare facts that as experience of managers increases, the tendency to find for new market and flexible international development gets lower and lower. This is due to the resistance nature of experienced manager to new ideas and international developments as compared to young and less experienced young managers who are relatively open minded to new way of doing things and continual effort adapt to new market trends.

### ***Firm's Characteristics and Competencies:***

Firm's Characteristics and competencies are found to be both significant and insignificant in general terms. It means, Firm's characteristics and competence has mixed result in relation to its effect on export performance.

For the insignificant factors like technology level and export planning, the finding is supported by the studies of **Aaby and Slater (1998)**, in **Yakici T. Ayan, Percin S. (2005)** that revealed no relationship between the firm's characteristics and competencies (only for technology level and export planning) with the export performance.

Moreover, Zou and Stan, (1998) found a non- significant effect on three studies for export planning and on another three studies on technology level.

Hence, similar to the finding of this study, firm's technology level and export planning did not predict the success of exports sales growth. Zou and Stan, (1998)

In the study made on Ethiopian textile and garment factories, the same mixed effect is found. Zou and stan(1998) found in one study that firm size has positive and significant effect on export growth. However, in contrary to the finding of this study, they found that firm's age has non-significant effect. But this study found that the firm age has significant and positive effect on export sales growth which is **as expected**. Because, the longer the firm stays in export business the more export markets and customers will be developed, more experience and capability will be accumulated. By the same analogy, human capital is found to be significant predictor to export sales growth. Moreover, similar to the literature , firm size is also found to be significant and positively related to export sales growth. ("zou-stan-imr98.pdf," n.d.)

Again, just like the literature, foreign contacts and networking has significant effect towards Export sales growth. (Louter et al. (1991) found frequent customer contact to be a determinant of export performance. Babakus and Yavas (2006) have found that the foreign networking (i.e. having ties with foreign entities) has a significant positive influence on export performance. how ever, in contrary to this positive effect, the regression analysis in this study has resulted in a negative significant effect. On justification from the empirical review made by Zou and Stan 1998 revealed that Firm capabilities/competencies as well as firm characteristics are found to have negative effect on sales performance of firms in one study. Growth rate as operationalized by percentage change of annual sales of a given firm will then be negatively affected just like the findings.

### ***Export marketing strategic capabilities***

Exports marketing strategic capabilities mainly (segmentation and targeting, product capabilities, pricing capabilities, distribution capabilities and, promotion capabilities) are found to be significant predictors of export performance for the Ethiopian textile and garment factories. In line with the findings, **Zou and Stan (1998)** has found significant positive impact of all of these except segmentation and targeting. Similarly, pricing capability along with product capabilities (operationalized as product strength, product adaptation etc) is found to be significant to export

performance. Leonidou et. al. (2002). When seen from product strength perspective, Zou and Stan found out that it has mixed effect on growth. But negative effect was found on three separate studies made on sales performance of firms.

Likewise, this study has found out that there is negative significant relationship of product capabilities to export growth rate. This could partially be justified by the fact that, the more products are set to adapt to specific market conditions, the higher and more time will have to be elapsed to product development and customization. This could eventually result in lower sales growth rate in the beginning of phase of the product.

For segmentation and targeting, just like the finding of this study, Leonidou et al found that it has positive and significant effect to export performance. Leonidou et. al. (2002)

However, of these capabilities, utilization of international marketing research is non-significant to export sales growth. In consistent with this finding, Shaomi Zou and Simona Stan (1998) in their review has found similar non-significant effect in two studies. but they also found to be significant in one study.

Distribution adaptation and promotion adaptation are also found to be significant which is consistent to the claims of various researchers like Eusebio et. al. (2007), (Cavusgil and Zou (1994); Zou and Stan (1998)), Francis and Collins-Dodd, (2004) and Shamsuddoha and Ali (2006).

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1. Summary

As per the data collected both from primary sources and secondary source, three major constructs have been established to have determinant effect on export performance of Ethiopian garment and textile factories. These constructs, namely, management Characteristics, Firm characteristic and competence as well as Export marketing Strategic capabilities have been sub categorized to 16 key and commonly used factors. These are export commitment, customer orientation, perception, export experience and education level, firm age, technology level, human capital, export planning, foreign contacts, firm size, utilization of international marketing research, segmentation and targeting, product capabilities, pricing capabilities, distribution capabilities and promotion capabilities.

These 16 factors under the three constructs were used as independent variables to see how each of them relate or affect the export performance of the given factories. Export performance was objectively measured by the change in annual export sales of each factory which is called Export growth rate. This variable which is taken as dependent variable was seen in two scenarios, where individual factories sales performance was considered as one scenario and overall or gross factories annual sales growth was taken in the second scenario. In both scenarios it was seen that export growth was consistently decline from year to year.

According to the analysis done on the 16 factors mentioned above, it was found out that 10 out of the 16 factors have been significant factors to determine the export performance of the factories. These are Export experience and education level, firm age, Human capital, foreign contact, firm size, segmentation and targeting, product capabilities, pricing capabilities, distribution capabilities and promotion capabilities. Whereas, the remaining six factors have shown insignificant effect. On the other hand, customer orientation, perception, export

experience, foreign contact and product capabilities have shown negative relationship unlike the other 11 factors.

## **5.2. Conclusion**

This study examined the effects of firm-level variables that are sub-grouped under the constructs of management characteristics, Firm's characteristics and competencies, and export marketing strategic capabilities on export performance in selected textile and garment factories. Almost all the independent variables that express the firm-level variables were recognized and implemented by the factories where the survey was conducted. The results show that some variables of management characteristics; like educational level and management export experience are significant predictors of export performance and have positive relationship. Customer orientation and perception towards export barriers have inverse relationship and non-significant contribution to export performance.

However, Majority of the variables under Firm's characteristics and competencies have shown significant contribution to export performance. of these, firm characteristics items, Firm age, Human capital, firm size have strong and positive effect while foreign contact and networking has significant but inverse relationship to export performance as justified above in the summary of the discussion part. On the other hand, Export planning has shown positive but insignificant effect to export performance.

Similarly, almost all factors grouped under export marketing strategic capabilities like Segmentation and targeting, product capabilities, pricing capabilities, distribution capabilities and promotion capabilities have very strong positive relationship and significantly contribute to predict the export performance. An exception to this is "utilization of international marketing research" which has positive but non-significant effect to predict the export performance.

Overall it could be concluded that, despite the recognition of firm-level determinants of export performance addressed on the conceptual framework chapter, Ethiopian textile and garment factories' export performance did not exploit the power of the management characteristics,

expressed in attitudinal, skill based and behavioral characteristics of the management. But it could be concluded that firm's export performance did benefit from having educated and internationally experienced managers.

On the other hand, Firm's characteristics and competencies, and export marketing strategic capabilities relatively seem to benefit the export performance of the Ethiopian textile and garment factories. This could partly be justified by the government's support to increase firm's competitiveness through various incentive and capacity building mechanisms as stated in the empirical literature. Besides, the export marketing strategy capability has by large been backed by the government's export promotion efforts in addition to the firm's own capabilities. Creating preferential tariff and quota free markets for Ethiopian textile and garment factories is one example of boosting the marketing capability to the exporting firms.

However, despite all the preferential treatment and incentives offered, the export growth, as viewed from "the plan with actual performance" perspective, continues to decline as shown by the empirical data discussed above. This could be justified by the poor attention given to the firm-level determinant factors discussed in this study.

Moreover, one can see that the low export performance of the Textile and garment factories in Ethiopia during the GTP period seems to match with the internal controllable factors such as the management characteristics, firm's characteristics and export marketing strategic capabilities of the firms that are further broken down in to their corresponding predictor variables. Hence in this study, it was established that there is significant relationship between EMSC and export sales growth while no evidence is found to have relationship between both MC and FC with export sales growth which remains open for further study for future researchers on the topic. However, It was established also that there was relationship between MC and EMSC as well as FC with EMSC. From all the above findings and discussion, it follows that the low export performance of Ethiopian textile and garment factories in one way or the other has to do with the specific variables subcategorized under these three constructs of Management characteristics, Firm characteristics and competence as well as export market strategy capability.

### 5.3. Recommendations

- As most of the firm-level variables were significant predictors of export performance, management of Ethiopian textile and garment factories has to give due attention to efficiently and effectively analyze and exploit the power of the predictors of export performance like the ones mentioned under firm characteristics and competence (mainly, Firm size, Human capital, foreign contact and networking) and export market strategy capabilities (mainly, segmentation and targeting, product capability, distribution capability and promotion capability as operationalized in this study) along with the incentives provided by the governments export promotion policy.
- Manager's education level and export experience were significant variable that predict export performance. Thus, Ethiopian textile and garment factories are highly advised to upgrade their export managers' competencies through continuous training and experience sharing in domestic and overseas. It is important for the management of the Textile and garment factories to focus on the experience and lessons gained from export operations so as to increase the export sales growth rate. In the actual scenario of Ethiopian textiles and garment factories, these days, numbers of FDI are continuously flowing into the country and hence, the management need to boost its skill and exploit as much experience as possible in all dimensions
- Majority of the predictor variables of the Management characteristics were not significant contributor to export performance. Though different researchers found mixed result, this generally appears to be absurd and against the common sense. This could possibly be due to the difficulty of associating management characteristics like commitment and attitude to quantitative dependent variable like export sales growth. Besides the correlation matrix shows that except for EMSC, the other two constructs (FC and MC) showed no significant relationship with Export sales growth. On the other hand subcategory variables under EMSC, FC and MC have significant effect on Export sales growth. The researcher believes that this is a paradox that needs to be investigated further by future researchers. Hence, other researchers should proceed their research in this regard by looking at better measurement and in-depth operationalization methods. Hence, the management of the Ethiopian textile and

garment factories is required to make certain improvements in such a way that these characteristics could effectively contribute to international market requirements.

## BIBLIOGRAPHY

- Aaby, N.-E., & Slater, S. F. (1989). Management influences on export performance: a review of the empirical literature 1978-1988. *International Marketing Review*, 6(4).
- Amadeo, K. (n.d.). 7 Ways Central Banks Use Foreign Exchange Reserves. Retrieved May 28, 2018, from <https://www.thebalance.com/foreign-exchange-reserves-3306258>
- Brodrechtova, Y. (2008). Determinants of export marketing strategies of forest products companies in the context of transition—The case of Slovakia. *Forest Policy and Economics*, 10(7–8), 450–459.
- Cavusgil, S. T., & Zou, S. (1994a). Marketing strategy-performance relationship: an investigation of the empirical link in export market ventures. *The Journal of Marketing*, 1–21.
- Cavusgil, S. T., & Zou, S. (1994b). Marketing Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures. *Journal of Marketing*, 58(1), 1–21. <https://doi.org/10.2307/1252247>
- Cicic, M., Patterson, P., & Shoham, A. (2002). Antecedents of international performance: A service firms' perspective. *European Journal of Marketing*, 36(9/10), 1103–1118.
- Elshehawy, M. A., Shen, H., & Ahmed, R. A. (2014). The Factors Affecting Egypt's Exports: Evidence from the Gravity Model Analysis. *Open Journal of Social Sciences*, 02(11), 138–148. <https://doi.org/10.4236/jss.2014.211020>
- Evangelista, F. U. (1994). Export performance and its determinants: some empirical evidence from Australian manufacturing firms. *Advances in International Marketing*, 6(1), 207–229.
- Hurreeram, D. K. (2007). Manufacturing strategy auditing for garment making companies. *Benchmarking: An International Journal*, 14(3), 272–288. <https://doi.org/10.1108/14635770710753176>
- Katsikea, E. S., & Skarmeas, D. A. (2003). Organisational and managerial drivers of effective export sales organisations: An empirical investigation. *European Journal of Marketing*, 37(11/12), 1723–1745.
- Katsikeas, C. S. (1994). Export competitive advantages: the relevance of firm characteristics. *International Marketing Review*, 11(3), 33–53.
- Katsikeas, C. S., Piercy, N. F., & Ioannidis, C. (1996). Determinants of export performance in a European context. *European Journal of Marketing*, 30(6), 6–35.

- Lages, L. F. (2000). A conceptual framework of the determinants of export performance: Reorganizing key variables and shifting contingencies in export marketing. *Journal of Global Marketing*, 13(3), 29–51.
- Lance Eliot Brouthers, George Nakos, John Hadjimarcou, & Keith D. Brouthers. (2009). Key Factors for Successful Export Performance for Small Firms. *Journal of International Marketing*, 17(3), 21–38. Retrieved from <http://www.jstor.org/stable/27755606>
- Langes, L. F., & Montgomery, D. B. (2005). Export performance as an antecedent of export commitment and marketing strategy adaption: Evidence from small and medium-sized exporters. *European Journal of Marketing*, 38(9/10), 1186–1214.
- Leonidou, L. C., Katsikeas, C. S., & Samiee, S. (2002). Marketing strategy determinants of export performance: a meta-analysis. *Journal of Business Research*, 55(1), 51–67.
- Matanda, M. J., & Freeman, S. (2009). Effect of perceived environmental uncertainty on exporter–importer inter-organisational relationships and export performance improvement. *International Business Review*, 18(1), 89–107.
- Mavrogiannis, M., Bournakis, M. A., Dawson, P. J., & Ness, M. R. (2008). Assessing export performance in the Greek food and beverage industry: An integrated structural equation model approach. *British Food Journal*, 110(7), 638–654.
- Mohammed, A. (2018, April 25). Ethiopia: Forex Crunch - Ethiopia's Immovable Object. *Addis Fortune (Addis Ababa)*. Retrieved from <http://allafrica.com/stories/201804250562.html>
- Moini, A. H. (1992). A study of exporting and non-exporting small manufacturing firms. *Journal of Business and Entrepreneurship*, 4(3), 77.
- Mytelka, L. K. (2000). Local systems of innovation in a globalized world economy. *Industry and Innovation*, 7(1), 15–32.
- Naheed Zia Khan, & Aqdas Ali Kazmi. (n.d.). Textiles Sector of Pakistan: The Challenge Beyond 2004 [with Comments]. *The Pakistan Development Review*, 37(4,). Retrieved from <http://www.jstor.org/stable/41261073>
- Nassimbeni, G. (2001). Technology, innovation capacity, and the export attitude of small manufacturing firms: a logit/tobit model. *Research Policy*, 30(2), 245–262.
- Nazar, M. S., & Saleem, H. M. (2009). Firm-level determinants of export performance. *International Business & Economics Research Journal*, 8(2), 105–112.

- Nhat Lu, V., & Julian, C. C. (2007). The internet and export marketing performance: The empirical link in export market ventures. *Asia Pacific Journal of Marketing and Logistics*, 19(2), 127–144.
- O’Cass, A., & Julian, C. (2003). Examining firm and environmental influences on export marketing mix strategy and export performance of Australian exporters. *European Journal of Marketing*, 37(3/4), 366–384.
- Ogunmokun, G., & Ng, S. (2004). Factors influencing export performance in international marketing: A study of Australian firms. *International Journal of Management*, 21(2), 172.
- Papadopoulos, N., & Martín, O. M. (2010). Toward a model of the relationship between internationalization and export performance. *International Business Review*, 19(4), 388–406.
- Pham Hoang Mai. (2001). The Export Performance of Foreign-Invested Enterprises in Vietnam. *ASEAN Economic Bulletin*, 18(3), 263–275. Retrieved from <http://www.jstor.org/stable/25773686>
- Shoham, A. (1996). Marketing-mix standardization: determinants of export performance. *Journal of Global Marketing*, 10(2), 53–73.
- Shoham, A. (1998). Export performance: A conceptualization and empirical assessment. *Journal of International Marketing*, 59–81.
- Suárez-Ortega, S. M., & Alamo-Vera, F. R. (2005). SMES’internationalization: firms and managerial factors. *International Journal of Entrepreneurial Behavior & Research*, 11(4), 258–279.
- Tesfom, G., & Lutz, C. (2006). A classification of export marketing problems of small and medium sized manufacturing firms in developing countries. *International Journal of Emerging Markets*, 1(3), 262–281.
- Wilkinson, T., & Brouters, L. E. (2006). Trade promotion and SME export performance. *International Business Review*, 15(3), 233–252.
- Zaiem, I., & Zghidi, A. B. Y. (2011). Product Adaptation Strategy and Export Performance: The Impacts of the Internal Firm Characteristics and Business Segment. *Contemporary Management Research*, 7(4). <https://doi.org/10.7903/cmr.9697>
- Zou, S., & Stan, S. (1998). The determinants of export performance: a review of the empirical literature between 1987 and 1997. *International Marketing Review*, 15(5), 333–356.

# APPENDIX I

Addis Ababa University

College of Business and Economics

Department of Management, Executive MBA program

Questionnaire

Dear ! I invite you to fill out the below form preferably by Today.

The researcher is a student of Addis Ababa University, Executive MBA program. The objective of this questionnaire is to collect firsthand information about “firm-level Determinant of export performance of Ethiopian Textile and garment factories”. Hence, you are kindly requested to genuinely fill out the questions and you are assured that your responses will be kept highly confidential to be used only for the purpose of academic research.

Please fill out the questions in the Google form by simply clicking on the radio buttons and click “continue”, then “ok” to move to next pages till you reach end of question. You can press “back” or “continue” buttons to review your responses. Then press “submit” if you are done. For any question, please call or text to 091337773

Thank you in advance for your time and kind cooperation!!

## Part I - Personal Information

1. Sex:  Male  Female
2. Age:  21-25  26-30  31-35  36-40  Above 40
3. Your highest level of Educational Background  
 Below Diploma  Diploma  1st Degree  Masters  PHD
4. Total Experience in Exporting firm (in years)  1-5  6-10  11-15  Above 15
5. Export business experience of managers in years (on average)  
 less than 5 years  5-10 years  11-15 years  more than 15 years
6. Certifications or Membership (tick all that applies to your firm)  
 WRAP  Oekotex  BSCI  ISO  None  Other

**Part II: Likert scale filling:**

Please rank your agreement to the following statement on a five point scale provided below, where 1: strongly disagree 2: disagree 3: moderately agree 4: agree 5: strongly agree

S/N	Please treat each statement separately, and do not be guided by prior statement.	Just click in the cell of your choice				
A.	<b><u>Management Characteristics</u></b>	1	2	3	4	5
<b>i.Export commitment and support ( Q.7,52,53,54)</b>						
1	Firm’s management has good risk forecasting skill	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	my firm allocates sufficient resources to pursue export operations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	the firm’s management is involved in export sales organization	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4	firm’s management has positive attitude towards export business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>ii. Customer orientation (PQ6,L5,L44,L47)</b>						
5	Your firm always wants to comply with Social, technical, code of conduct requirements of its customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6	International certifications significantly affects access to export market & competitiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7	My firm mostly meets customer requirements and specifications	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>iii. Perception about export advantage and barriers (L2,L3,L4)</b>						
8	Marketing organization adaptation hinders to my firm’s exportation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9	Export pricing has much constraints on my firms exports	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10	Domestic market is advantageous than export market for my firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>iv. Export experience &amp; education(PQ3, PQ4, PQ5, L1, L8)</b>						
11	Firm’s management has good risk forecasting skill	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12	Factory’s management selling & bargaining skill is good	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b><u>B. Firm’s Characteristics and Competencies:</u></b>						
<b>i. Technology level (L10, L51,)</b>						
13	Technology level of your factory is lowering your export performance	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14	My firm allocates sufficient budget for research and development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>iii. Human capital (L11, L43, L15, L6,)</b>						
15	The workers have accumulated skills that gives your factory a competitive advantage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16	The factory has training policy that is implemented regularly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
17	The firm has good knowledge of the export market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18	Your firm achieves Benchmark(best practice) values as identified by international consulting firms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>iii. Foreign Contacts and networking (: L40, L42,)</b>						
19	Your firm has alliance(partnership) arrangement with a foreign entity from abroad to promote your firm's export business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
20	Your factory used "suppliers credit" scheme to solve its shortage of foreign currency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Iv. Export Planning (L12)</b>						
21	The firm has flexible export planning & control to adapt market changes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>V. Firm Age (L9)</b>						
22	Due to the age of the firm, export marketing capability is not flexible	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>VII. Firm Size(L13)</b>						
23	Your firm size has helped you to increase your export sales	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b><u>C. Export Marketing Strategies Capabilities</u></b>						
<b>i. Utilization of international marketing research (L19, L29, L35)</b>						
24	The firm undertakes export market research	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
25	key performance indicators & critical success factors are clearly identified in your export market strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
26	Benchmark(best practice) parameters set for Textile & Garment factories are Key for your firm's export success & competitiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>ii. Segmentation and Targeting (L25, L27, L33)</b>						
27	Your factory suffers from sustainable and good export market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
28	Your firm implements clear export market segments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

29	Your firm's ability to exploit market opportunities like, AGOA, & most of the Bilateral agreements between countries is good	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Export Marketing Strategy</b>						
30	Your factory has good ability of export marketing strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
31	the incentives & privileges provided by the government have significant effect on your price competitiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>iii. Product Capabilities(L17, L18, L20, L23, L26, L28, L39, L41)</b>						
32	The firm conducts product adaptation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
33	The firm's products have a strong brand image in foreign market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
34	Your factory practically makes use of research and development as strategy for export marketing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
35	Your factory produces common and basic items with no uniqueness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
36	Your factory does regular customer satisfaction & feedback survey	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
37	Your firm adapts its products to its international market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
38	In the past 5 years,your products used to be rejected during final inspection by third party external quality auditors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
49	Other than those provided by your buyers, your firm designs & develops its own styles, specification & features of a product for export market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Iv. Pricing Capabilities (L14, L16, L21, L30, L36, L37, L38)</b>						
40	Labor cost of the factory is competitive to export market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
41	Productivity& efficiency of the factory's labor is lower than foreign competitors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
42	The firm exports due to attractive profit and growth potentials	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
43	Your firm is capable of adapting the prices to its customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
44	pricing is done based on actual costs regardless of the market condition (cost plus)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
45	The firm manipulates cost to meet customer's target price irrespective of actual costs(Target costing)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
46	Pricing of the firm is competitive compared to competitor's price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**V. Distribution Capabilities (L24, L31, L34,)**

<b>47</b>	Your firm has established its own/direct distribution channel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>48</b>	Your firm adjusts its channel design to export market efficiently	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>49</b>	Your firm missed product delivery time & sometimes asked date extension	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Vi. Promotion Capabilities (L22, L48, L49, L50)**

<b>50</b>	The firm undertakes an intensive promotion in overseas markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>51</b>	my firm participates in international trade fair and exhibitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>52</b>	my firm conducts product tailored advertisement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>53</b>	my firm promotes its products through social media	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>