

# MAJOR CHALLENGES OF ETHIOPIAN PUBLIC PRINTING ENTERPRISES

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## **Abstract**

*This research was conducted to analyze the Print Industry in general and identify the challenges related to the Ethiopian Governmental Printing Enterprises specifically and indicating possible areas of improvement. The study was conducted in Addis Ababa, Ethiopia. It covered all public enterprises namely: Brana, Brihanina Selam and Educational materials printing enterprises. In Addition, though Artistic printing enterprise was recently privatized, its management bodies were included in the study as the study was started before the privatization. The study was primary qualitative as its purpose was exploration of the major challenges of public printing enterprise in the country, an area where there is a dearth of studies. A total of 13 key informants selected purposively based on their knowledge of the enterprises operation and the sector participated in the study. This includes top management members of the enterprises, department heads, suppliers and customers of the enterprises. Besides, the limited available literatures were used as secondary sources. The findings of the study revealed that the major challenges of the enterprises are shortage of skilled manpower, inability to use available and acquired machineries, shortage of spare parts, prolonged procurement procedures, quality issues related with use of older technologies and human factor, and less control of investment on growth. To address the challenges improving the enterprises straining system using well developed curriculums and mentoring, developing a clear strategy and process for the technology transfer from the use of old machines to the acquired machines, and improving the planning system to overcome the raw materials procurement challenges were suggested. In addition, in the medium and long term the government may need to consider investing on academic and technical education opportunities related to the print industry, allow the enterprises to retain a certain percentage of their profits for investment and growth. Further, the government need to consider enhancing the local suppliers' capacity to facilitate the overall development of the print industry and address challenges related to supply of materials, spare parts and maintenance.*

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Author

Frehiwot Takele Tarekegn

## **Abbreviations**

<b>AAU</b>	Addis Ababa University
<b>BSPE</b>	Berhanena Selam Printing Enterprise
<b>CIF</b>	Cost, Insurance and Fright
<b>ECA</b>	Economic Commission of Africa
<b>GDP</b>	Gross Domestic Product
<b>IMF</b>	International Monetary Fund
<b>IT</b>	Information technology
<b>LDC</b>	Least Developed Countries (LDCs)
<b>NGO</b>	Non-governmental organizations
<b>PE</b>	Public Enterprises
<b>ROI</b>	Return on investment
<b>S.C</b>	Share company
<b>SOE</b>	State Owned Enterprises
<b>SWOT</b>	Strength, weakness, opportunity and treat
<b>TGE</b>	Transitional Government of Ethiopia
<b>TV</b>	Television
<b>TVET</b>	Technical and Vocational
<b>USEIA</b>	United States Information Administration



## **Certificate of Originality**

This is to certify that the project titled “Major Challenges of Ethiopian Public printing Enterprises” is an original work of the Student and is being submitted in partial fulfillment for the award of the Master’s Degree in Business Administration of Indira Gandhi National Open University. This report has not been submitted earlier either to this University or to any other University/Institution for the fulfillment of the requirement of a course of study.

SIGNATURE OF GUIDE

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## **CHAPTER 1: INTRODUCTION**

This chapter gives an overview of the study background, discusses the statement of the problem it attempts to address and the rationale behind the conduct of the study. It also discusses the research objectives, scope and limitation.

### **1.1 Background of the study**

Since the 1930s and particularly after World War II, numerous State Owned Enterprises (SOEs), also called Public Enterprises (PEs), were created in both developed and developing countries to address market deficits & capital short-falls, promote economic development, reduce mass unemployment and/or ensure national control over the overall direction of the economy, especially in developing countries. By providing capital and technology to strategic areas where the private sector either shied away from or lacked the capacity to invest (such as heavy industries, infrastructure etc), most governments resorted to PEs to increase capital formation, produce essential goods at lower costs, create employment and generally contribute to the economic development of the nation state. This trend continued till the early eighties (Bertucci, 2007).

Conspicuous enough as it may be there was much solicitude to the public sector in the 1960s and 1970s. The sector had both domestic and international backing. Even the World Bank played a pivotal role in crediting, creating, financing and strengthening the sector (Hishe, 2005).

According to Palley (2003), there were two basic reasons for the expansion of the public sector: political and economic. The political reason was that Europe was thoroughly devastated by the World War II; and hence, public ownership was deemed

necessary for ensuring social protection and basic social needs provisions. They had immense contribution to full employment. They also had significant economic contributions mainly related to natural monopolies and negative externalities.

Besides, Nellis and Shirley (2000) mentioned that the public sector was believed to have a crucial contribution in developing the "strategic" sectors, in filling the "entrepreneurial gaps", in empowering the destitute segments of the society, in maintaining employment levels and in raising the level of savings and investments. In a similar fashion, Hoeven and Sziraczki (1997) mentioned that the public sector was instrumental in maintaining national security, revenue raising, economic control and equity considerations.

Other writers like Hall (2003) also argued that the public sector had multifarious advantages. First, the governments could have cost advantages. Second, lower profit requirements could also allow for lower pricing. Third, it could promote social solidarity, for instance through cross- subsidies.

Nevertheless, the above facts and rhetoric never lasted long because many people were perturbed by the ailing performance of the public sector. Even though there were arguments that the public sector could be improved through "error correction" and performance evaluation, others tenaciously contended that it is costly and difficult, though not impossible, to make the performance of the public sector better.

In addition, rising corruption, management inefficiencies, overstaffing (without due regard to their economic viability, many governments treated PEs as easy conduits for job creation and a convenient vehicle for patronage distribution), inflation and rising current account deficits of the 1980s, exposed serious "government failures" and the limits of PEs as major players in economic development. In addition to management deficits many PEs also suffered from technological shortcomings (Bertucci, 2007).

In recent times, globalization, liberalization and marketization and ongoing structural transformations of national economies contributed to an expansion of the private sector, on the one hand, and downsizing of the public sector including dismantling or divestment of public enterprises, on the other. These initiatives seemed to have been undertaken to accomplish two main objectives – giving more space to the private sector to function as the main engine of growth and at the same time, by downsizing and divesting inefficient public enterprise operations, save costs and generate revenue.

However, despite being divested or dismantled, PEs continue to occupy significant roles in many countries, both developed as well as developing. In high-income countries, PE's share of GDP and investment constitute 8%, and 13% respectively. For middle-income countries the corresponding shares are 9% and 17%, while in the so-called Least Developed Countries (LDCs) they are 14% and 28% . PE's also constitute an important source of government revenue in many developing countries (Bertucci, 2007).

Among public enterprises in Ethiopia printing is one of the oldest. The first public printing press was established in September 1922 at Addis Ababa, namely Birhanena Selam Printing Enterprise which is still functional at higher level. Despite the long history and significant investment, the public enterprises engaged in printing business are lagging behind in performance including meeting the printing demand of the government. A preliminary analysis of the research revealed that the enterprises are not utilizing the up to date technologies they have acquired, being able to deliver on time and meet the printing demands of the government and other local customers. This was also noted to be a cause for outsourcing of the service to international companies operating out of the country, causing loss of significant foreign currency (AAU, 2016).

In view of this, the research intended to assess the major challenges of the public

enterprises engaged in printing. In doing so, it analyzed the industry in general, identified the strengths and weakness of the enterprises along with the available opportunities and vulnerability to improve their performance and competitiveness. The study covered all Printing public enterprises of Ethiopia namely Brana, Artistic, Birhanina Selam and Educational materials printing enterprises.

## **1.2 Statement of the problem**

Though they are few in number, the governmental printing enterprises are the major printing ones for addressing most of the huge governmental and other business organizations' printing needs locally. Yet, the capacity of these governmental printing enterprises and existing demand of printing is way beyond comparable. As the demand/market trend shows that there is excessive unmet demand which makes everyone believe that investment in printing industry is highly profitable. Even if there is a huge market for the printing products in the country with the prevailing economic situation, the potential has not been well utilized. In relation with this many challenges that are hindering the existing governmental printing enterprises from benefiting from the untapped market have been identified via a preliminary review of the enterprises performance.

These include demand-supply mismatch, shortage of trained manpower especially lack of specialized institute on printing technology, foreign currency shortage for international purchase of raw materials and machinery, lack of adequate paper suppliers and manufacturers in the county, capacity limitation to meet the required quality and quantity production. These problems usually lead to looking for printing services abroad and purchase of inputs. Given the current challenges related to shortage of foreign currency, this is very disadvantages to the country economy as well as for the organization. Besides, it may lead to being unable to purchase the inputs and or experience delay.

When we see the challenges from the printing enterprises' business perspective, the government policy towards profit re-investment among printing enterprises hindered the development of the industry which becomes a bottleneck for capacity building to cope up with the international/global technological advancement e.g. printing machineries and well trained man power. Unavailability of enough capacity to fulfill the country's printing demand of these governmental printing enterprises are losing markets for the international markets where it could have been a very good source of profit both for the enterprises and to the government in terms of retaining the country's foreign currency. The other major challenges of this printing industry is shortage of trained man power as there is no specialized institution teaching printing as area of specialization and lack of exposure or experience sharing.

Surprisingly, except some internal reviews of the enterprises performance and one study on the industry focusing on the human resource of the enterprises with the aim of developing curriculum in the field, there is a dearth of studies on the challenges of the enterprises. It is high time to deal with the issue and look for ways by which the sector could better perform and contribute to the economy.

### **1.3 Rationale of the study**

The researcher conducted an overview at the stated printing industry to select the research topic and found that it is demanding to conduct cross sectional descriptive research on the types and magnitude of the major challenges of the industry. Identifying the major challenges of the industry with reference to government printing enterprises and suggest possible solutions and pinpointing study ideas for other future research activities which are helpful to minimize the printing industry challenges and enhance productivity and product quality. It is very important to focus on identifying and resolving major challenges of the

industry because Ethiopia should retain outgoing foreign currency due to lack of capacity and quality production.

### **1.4 Objectives of the research**

The major objective of this research was to analyze the Print Industry in general and identify the challenges related to the Ethiopian Governmental Printing Enterprises specifically and indicating possible areas of improvement.

#### ***Specific Objectives of the Research:***

- To identify the strengths, weakness, treats and opportunities of Ethiopian Government Printing enterprises
- To identify the challenges of the with securing raw materials & machineries and their respective magnitude
- To identify the challenges of the printing technology and their respective magnitude
- To identify manpower related challenges and their relative magnitude
- To identify and indicate possible solutions for challenges related to product quality improvement
- To indicate challenges related to existing government policies and procedures specific to the printing industry
- To identify and suggest possible solutions for challenges related to local paper manufacturing factories 'capacity

### **1.5 Significance of the study**

As a result the study enlists the major challenges faced by the governmental printing enterprises and suggests possible solutions for clearly sought once. By doing so, it can:

1. Help decision makers to get pertinent strategic points for building the capacity of the Ethiopian printing industry and retain foreign currency with the help of further feasibility studies. It will also help them clearly understand and identify the sources of the challenges, make possible changes and eliminate the shortcomings of enterprises which will finally help them have a reasonable capacity to meet the huge printing demand in the market that has been given up to a foreign market for long time now.
2. Give a number of research topics for future similar and wide scale studies and researches in developing the industry
3. Give clues for establishing the specialized training institution in Ethiopia for minimizing challenges related to human resources development
4. Encourage existing and new paper manufacturing factories to produce enough quantity and quality paper input materials for the printing industry within the country by utilizing the country's available natural input resources of forestry potential

## **1.6 Scope of the research**

The study was conducted in Addis Ababa, Ethiopia. This is because all of the Ethiopian public enterprises are located in Addis Ababa. The Public enterprises that were included in the study were are Brana, Brihanina Selam and Educational materials printing enterprises. In Addition, though Artistic printing enterprise was recently privatized, its management bodies were included in the study. The key variables that are covered by the study includes challenges experienced by the enterprise in relation to technology, manpower, supplies, operating environment focusing of prevailing policies and procedures. Besides, the treats and opportunities of the enterprises in relation to their environment and the overall



industrial environment were assessed. The study was started in December 2015 and completed in February 2017.

### **1.7 Limitations of the study**

The study has some limitations related to the research design, time dimension and openness of the key informants to disclose detailed information among the printing enterprises to protect the business interests of the enterprises. Though the choice of the research design is dictated by the purpose of the study, the use of quantitative approach would have added value in understanding detailed challenges related to the operation of the enterprises. Nevertheless, as the primary interest of the study is to understand the major challenges of the enterprises with little focus on the details of the technical-front line operations, this will not affect the appropriateness of the design to study purpose significantly. The study also focused on the current challenges of the enterprises and did not take account of the history of the enterprises operation and management in the analysis of the challenges. This is mainly explained by the need to focus on factors that affect the current and future performance of the enterprises rather than the historical factors that result in the challenges, a choice of approach. There were also challenges to get detailed information about some issues from the key informants, particularly those who work in the enterprises. This is dealt with by diversifying the key informants and including previous employees of the enterprise who were engaged in the private printing sector at the time of the study.

### **1.8 Organization of the study report**

The study report has four chapters. The first chapter discusses the background of the study, the problem it intended to address, its objective, scope and limitations. Chapter two discusses the review of related literatures to give background and context to the study. The

research methods used for the study are discussed in detail under chapter three while the major findings of the study are discussed in chapter four. The last chapter of the report presents the conclusions and recommendations made based on the findings of the study.

## **CHAPTER TWO: REVIEW OF RELATED LITRATURE**

This chapter presents the review of related literatures. In connection to this, it deals with definitions of key concepts, the history of public enterprises and the print industry in Ethiopia, as well as the factors that influence change in the print industry. In addition, it highlights the prospect of the print industry to give context to the study.

### **2.1 Definition of concepts**

#### **2.1.1 Print industry**

The printing industry covers the entire print process from creation through distribution to other non-print services that it offers. So any definition of the industry includes not only the numerous firms that perform the actual printing, but the companies that provide binding and finishing services such as cutting, trimming, die cutting, laminating, mounting and varnishing documents for their clients (Etienne, 2012).

Today's printing industry is referred to either as the Graphic Communications or Graphic Arts Industry or The Printing and Graphic Arts Industry as it is a combination of print media and visual communication. With developments in digital technology, the industry has been further transformed (Etienne, 2012).

The printing industry has evolved beyond ink-on-paper to include direct mailing and fulfillment services, and increasingly multimedia, graphic design, and web page creation in which graphic design is important to the process. In this expanded definition of printing we also include companies that make up the industry's supply chain. This group is made up of printing brokers, independent salespeople, recruiting companies, suppliers, trade organizations, educational (Szentgyörgyvölgyi, 2008).

#### **2.1.2 Public enterprise**

One can find no consensual or generally agreeable definition of public enterprise.

Moreover, it is called by different terminologies and these cause confusion – public undertaking, public enterprise, public corporation, national enterprise, state-owned enterprise, governmental enterprise. The public entities range from purely regulatory at one end to purely commercial at another.

H.L. Bhatia attempts to provide a distinction. He argues that “public sector” and “public undertaking” should not be equated – the latter form part of the former. He divides public sector into three categories. The first group is constituted by those public services which are provided to the members of the society free of cost, or at least with that intention. Defense, administration, justice, law and order form part of this category. These are what may be referred to as pure public goods. Those public services which are run and maintained by the Departments or as Departments make up the second category. Here are included postal services, education, roads, bridges, etc. Their finance may fall on different grounds and some of them may be in the nature of public undertakings. The third category comprises those public services which are provided not by the departments but through the means of autonomous or semi-autonomous bodies like firms, companies and corporations. These are economic units that may have, even though owned by the government, their own price policies according to different objective and criteria (Dagnachew & Addissie, 2009).

He further claims that only the last two categories constitute “public undertakings”. Even in the first category, he says, the government might charge fees for certain services, but is in the nature of taxes and for regulating the supply of some goods/services.

For Bhatia, the terms “undertaking” and “enterprise” cause confusion. He said that there is a tendency to regard public enterprise to be more like a private enterprise where there is a consideration of risk and intention to reap a profit, but a public undertaking

need not be risky and it need not work for profit. But he knocks down the distinction as not a watertight and suggests the interchangeable use of the terms. He states that whether or not public undertaking faces risk like a private enterprise depends upon numerous circumstances like the product it supplies, the market structure and so on, and a public undertaking may or may not have a policy of making a profit. A choice of price or profit does not make it one or another.

Another influential writer claims that in between the two extremes, one finds a variety of promotional, developmental and catalytic bodies. He asserts that the ambiguity has arisen because of a trend to create autonomous bodies to discharge, more effectively, tasks which would ordinarily have been undertaken by regular government departments. The taxonomy here claims that all these organizations fall under the generic category of “parastatals”. The proliferation of these parastatals has created an atmosphere of ambivalence in respect of their responsibilities, obligations and goals. For instance, entities essentially developmental or regulatory in nature are uncomfortable when asked to produce balance sheets and profit and loss accounts, and essentially business firms view social objectives as a disturbing element in their corporate life (Dagnachew & Addissie, 2009).

Behavior patterns, strategies and evaluation processes are in practice very difficult because these public institutions are not of the same nature, though grouped together in the family of parastatals. The task is therefore to determine which of these parastatals, public corporations or public bodies is a public enterprise in the real sense of the term, hence definition and need for parameters.

According to him, the core concept of ‘public enterprise’ lies embedded in the term itself – an organization which has two faces or dimensions. And if one or the other of the dimensions is not present, the body cannot be described as a public enterprise.

The two faces are obtained by splitting the phrase into two parts: they are the enterprise dimension and the public dimension. We see here a double-faced relationship regarding a public enterprise--one with the private enterprise and the other with the state. Each of the dimensions exhibits characteristics as stated herein below (Tewodros, 2014).

### **Enterprise Aspect**

- a) The organization is engaged in the production of goods or provision of services. This would probably cover every form of human activity.
- b) The goods so produced and the services so provided are marketed at a price. Some times a deliberate policy of underpricing may be there, but at least the intention is that no goods or services are to be given for free.
- c) The revenues so earned are adequate to cover the costs (with cost inclusive of the opportunity of venture capital, debt servicing and depreciation).
- d) The activity is based on the entrepreneurial idea of investment and return. Actual profit is not issue here; at least presence of the intention to make surpluses suffices.
- e) There is maintenance of commercial accounts which document its enterprise character. Two books of account are needed. One is a balance sheet which shows, at any given point of time, the assets and liabilities of the enterprise. The other is a profit and loss account which describes for a defined period of time, usually a year, the inflow of income and the outflow of expenditure, resulting either in surplus or deficit.

These are the indispensable elements that make up a certain entity an enterprise. The missing of one makes the entity not an enterprise, or at least not an enterprise in the strict sense of the term.

## **The Public Dimension**

- a) There must be a public ownership. The ownership is vested in a public authority, on the behalf the public at large which could be the central government, the state government (in federations), a municipal authority, or even an existing public enterprise over a subsidiary or branch (this last case of course needs a careful look). There will usually be no doubt if ownership exclusively belongs to a public authority. A problem may arise regarding enterprises that are only partly owned by a public authority as in joint ventures. It is suspected that a majority shareholding by a public authority makes the enterprise a publicly owned one. An entity with minority governmental shareholding may still be regarded as a public enterprise depending on whether the other elements of the public dimension are present.
- b) Public purpose: - the establishment of a public enterprise has in mind the attainment of some public policy goals. The rationale for setting up public enterprises is that they are better instruments for promoting developmental goals. Thus, in addition to the corporate objectives implicit in its enterprise dimension, the nature and content of the public goals which the enterprise is presumed to achieve need to be identified. Of course, it is possible that public enterprises explain away their commercial failures by pointing to their so-called “social responsibilities”, using social objectives as a post-facto alibi for poor performance. The incorporation of this element into the very concept of public enterprise makes social objectives be defined in advance to enable the enterprise to develop corporate strategies to attain them.
- c) Public control: - ultimately, all enterprises whether private or public are controlled by their owners, the shareholders. For private enterprises, we can

raise two scenarios and we will see if these scenarios are workable for public enterprises.

On the one hand, there is a strong block of shareholders who are in a better position to exercise control. Family and trust-owned companies are good exemplifications where a group of shareholders control the management in all important policy matters such as investment, expansion, pricing policies, top appointment, amongst other things. On the other, there may exist a scenario that the shareholding is widely dispersed to make control by shareholders impracticable. This implies widespread shareholding to be in the hands of the average citizen and managerial control in the hands of professional management.

In the case of public enterprise, the logic of public control can be easily explained, *mutates mutandis*. The government as an owner is neither anonymous nor powerless shareholder that exists at a distance from operations of public enterprise. It is likely to exercise managerial control on the lines of family business. The government has out of its volition established an autonomous body with a corporate personality of its own, and it has handed over its management to a group of managers who act as trustees. Even if the government is vested in the power to oversee policy affairs of a public enterprise, not all of the decisions require approval of the government. Specific areas of such control and the organ entrusted with such task of approval need to be identified in advance (Dagnachew & Addissie, 2009).

Under such a framework, the government is indeed assuming the role of massive holding corporations over subsidiaries.

f) **Public Accountability:** refers to the performance of the enterprise to the satisfaction



of its owner. Let's take again private enterprise and the applicable measure of accountability. Shareholders judge the enterprise on the basis of the dividends they receive. They also evaluate it on the basis of the value of shares the stock market reveals, which is in turn a composite of profitability, stability, growth prospects and good will of the enterprise. With public enterprise, the situation is more problematic. There is no equivalent of the stock market, and dividend, if paid, would only reveal the financial performance and not the multi-dimensional results expected of public enterprise.

The problem may be reduced and accountability may be improved by defining the matter the public enterprise is accountable for which comprises the setting of precise goals which have been set for the enterprise and the agreed criteria of evaluation. More of accountability may be ensured by identifying the body the public enterprise is answerable to by clearly stating who the evaluators are. This is about determining in advance the agencies to which the enterprise reports which could be, *inter alia*, supervisory authority or focal point for public enterprises, and the matter to be reported to each of them.

- g) **Public management:** this is optional requirement and its absence does not detract from the publicness of the enterprise. But its presence provides evidentiary support for publicness. Public management connotes that management (entrepreneurial decision making/running process) is in public hands, with full time managers acting as civil servants. Public management is normally not regarded as an indispensable element of the public dimension because there are mechanisms of handing over management of an enterprise to private partners through what is termed as management counteracting-out yet maintaining ownership and control.

Generally, a governmental entity must meet the above two relatively broader

requirements to be called a public enterprise. If there is no public dimension, there seems to be little or no rationale for creating “public” enterprises by public-mandated state. Likewise, there would be no purpose in calling it public “enterprise”, it would be rather some form of promotional, developmental or regulatory agency but not public enterprise. These are the key parameters to categorize an entity belonging to a parastatal family as public enterprise. The organs which do not squarely fit into these categories would thus be excluded and accorded another name and role (Bertucci, 2007; Dagnachew & Addissie, 2009).

Taking the African context, public enterprises have appeared in three forms. The first one is public utilities like railway, telecommunication, harbors, ports, roads, and electricity. The second category is related to corporations, which embrace commercial or industrial activities on behalf of the state. The third one is related to state corporations (Kagwe, 1987). These divergent forms have complicated the definition of public enterprises. To solve this uncertainty, experts in 1980 gave the following comprehensive definition.

*An enterprise is public when the state or any other national, regional or local authority holds at least 50% of the capital; it is under state control and reports to the state; its objectives are of public and multidimensional nature. This aspect presupposes financial investments, the marketing of products and services, financial returns, a system of business accounts and a social return, which the enterprises must account for.* In sum, the above definitions have common points in that the public enterprises are related to a majority or full control of the state.

## **2.2 History of public enterprises in Ethiopia**

### **2.2.1 A Short Historical Review**

The public enterprises originated in the 1960s mainly in Europe. Though the reasons differ from situation to situation, the general reasons for the establishment of public enterprises were to a great degree similar. Palley (2003) expressed that their establishment was political and economic though their proliferation was related to the end of the Second World War.

On the aftermath of the Great Depression and the total humiliation of Europe, social protection and the basic needs provision were demanded. As unemployment was too sensitive an issue, the Public Enterprises were believed to have a great contribution in alleviating this vice. And hence, their establishment for the stabilization of the then European context was beyond any question (Palley, 2003).

Nellis and Shirley (2000) also stressed that they maintained the strategic sectors and filled the “entrepreneurial gap”. Thus their economic aspect was related to the control of the decisive aspects of the economy like the public defense industries and public transport enterprises. Similarly, they were also conceived as means of having the power in the economy, which meant a lot. Many states also considered the public enterprises as national symbols and prides.

The lack of private investment to be involved in the undertaking of large-scale activities especially in the poorer countries was another concern. This could be justified by the thin capital of the private sector and absence of willingness to be engaged in areas that could produce results in the long run. Besides, Hoeven and Sziracki (1997) argued that equity considerations and the fear of a private monopoly situation were also considered to be averted by the mushrooming of public enterprises. Furthermore, the public enterprises were seen as the main stay of economic development though disillusionments have cropped up since 1980s (Balassa, 1993).

A World Bank policy research report (1994) mentioned that the developing world had an overextended public enterprise due to several factors. The 1980s economic crisis had a strong blow in the developing world that it has taught them a lesson that the governments should have “something” at hand. The declining economic growth had reduced the tax base, depriving governments of the resources to pay their staff, improve infrastructure and deliver social services. The indigenous private sector was also weak dominated by foreigners.

### **2.2.2 Public enterprises in Ethiopia a brief historical overview**

The emergence of public enterprise sector in Ethiopia is contemporaneous with the modernization attempts of the state itself in the early twentieth century. Though there was no clear economic policy of the state during that time, the state established some enterprises to somehow satisfy its growing administrative needs. The enterprises were established jointly by the Ethiopian state and foreigners, the state Bank of Ethiopia and the Ethio-Djibouti Railway Enterprise being good examples. For purposes of making clear distinctions, we classify the public enterprise history in Ethiopia in to three periods: the Imperial regime of HaileSellassie, the socialist Regime, and post 1991 onwards (AAU, 2016).

#### **The Imperial Regime**

Though not entrenched and developed, Haileselesie’s regime is known for embracing the free market economic system. The absence of private capital at the beginning despite the proclaimed market economy had necessitated public sector engagement, and there were many public enterprises established in response to the various modernization attempts. The government used to run hotels, banks, shipping lines, etc.

Public enterprises were formed by the state as a sole owner and as joint ventures with private persons, mostly foreigners, for domestic private capital were almost non-existent. Most of the public enterprises were created in the form of public corporations as share companies. Though the state was a legal entity with an administrative (political) capacity, it was a holder in these companies.

There was, however, no comprehensive legal regime governing state enterprises despite existence of some scattered pieces of legislations that applied to some enterprises. The separate legislative instruments hither and thither did not constitute distinct legal regime as to call it law of public enterprises. Many of state enterprises during this period were organizationally and operationally similar to the private enterprises, and were governed by the Commercial Code which came into application to regulate the prospective private business interaction. But there were exceptional state enterprises that were established by proclamation or order of the emperor dedicated to the purpose of their establishment.

### **The Socialist Regime**

With the adoption of the socialist precepts, the Derg regime was characterized by state ownership and control of the major means of production (rural and urban lands, extra houses and basic production and distribution facilities). The gradually flourishing private sector was a victim of nationalization and sidelined to petty areas, and so there was a dramatic increase in the number of public enterprises.

The regulation of numerous public enterprises was undertaken by executive organ entrusted with this power and established for this purpose. Each of the enterprises was independent from one another, but the creation and management was undertaken by this organ. The governmental body was empowered not only to manage the nationalized enterprises but also to establish new ones when deemed necessary. The organ was responsible to adopt a *plan*, budget and appoint a general manager for each enterprise. Nonetheless, it proved to

be an ineffective body, and consequently it failed to carry out its legal obligations.

Realizing this so lately, public enterprises having more or less similar output or input as the case may be were merged together to form a corporation. The corporation served as an intermediary between individual public enterprises and the state, as a focal point between the two. Nevertheless, the salient feature of public enterprises during this period was that they were run by executive departments. The enterprises were relatively large, but undertaken by an inefficient and ineffective governmental department. So, many public enterprises failed except some like the Ethiopian Airlines.

### **The Post 1991 Period**

The Ethiopian state during this period has assumed two forms: one is the Transitional Government of Ethiopia (TGE) constituted by the 1991 Transition Charter, and the other is the Federal Democratic Republic of Ethiopia proclaimed by the 1995 Constitution. In both cases, the role of the state in the economy is similar--change in the role and participation of the state in the economy with a view to encourage private economic undertaking. Here the state is not to pull out of the economic activity completely; it is rather that the state actively participates in the economy while inviting the private sector to take over, and we can say that the post 1991 economic period is a mixed system where governmental undertaking and venturing by private capital owners co- exist. Having said the above as a general background, we will look to the scope and relevance of some existing laws concerned with such role of the state. Governmental economic activity, like we repeatedly said, is usually carried out through public enterprises, apart from devising some broader policy objectives. Below is a brief consideration of the various legal documents of public enterprises following their hierarchy, starting with the supreme.

In line with the current trend which enhances the role of public enterprises in the

political system, the following observations were made (in the context of another country) regarding the potential impact of economic dominance by public enterprises:

*These agencies [government economic enterprises] increasingly monopolize and allocate public resources, provide critical services and control access to them, create a large sector of wage-employment, regulate prices, and otherwise make decisions affecting economic development, the quality of generally and the interests of individuals. They may constitute a large new branch of government (and source of power), which have not been adequately examined by political, social, and legal theory and which operates within inadequate legal frameworks (IMF, 2013)*

In spite of caveats against excessive state involvement in economic activities, the sustained significance of public enterprises can be witnessed. This is so, despite the contention on the extent to which investment should be made by the public sector in general or through public enterprises in particular (Tewodros, 2014). The facts on the ground indicate that the sector is and remains to be vital for the country.

### **2.3 History of print industry**

Though some earlier printing technology is acknowledged, new world encyclopedia credits modern printing invention with movable types to German born Johannes Gensfleisch zur Laden zum Gutenberg during 1447 (Wikipedia, n.d.). Building on previous printing technologies print technology has grown with time. Successive evolution of the printing technology after Gutenberg resulted in various printing technologies such as Lithography (introduced in 1796), Offset press (in 1870s), Screen-printing (1907), Flexography, and Digital press (1993) with many intermediary inventions. Such advancement, over the long term, increased literacy by making print available to the public. It also improved relation between teacher and students by

transforming learning's, which means it has a positive impact on educational practice (AAU, 2016).

The printing press influenced the human environment in numerous ways that made it possible to communication and the spread of ideas. The technology shift from the manuscript to the printing press increased literacy by reducing the expense of publishing books and making the process less time and labor intensive. Gutenberg's invention facilitated the change of writing from record keeping to communication. Because improvements have been made for every aspect of the 3 printing press, knowledge and skill needed to run such facilities became more advanced. To cope with dynamism of the sector and build human capital, specialized training programs were also demanded by the industry. Various universities, colleges, TVETs and centers are established all over the world in response to these demands.

Considering history of printing in Ethiopia, the first printing press as modern printing activity was setup in 1863 at Massawa by Lazariest missionary know as Father Lorenth Biancgerie. Afterwards, Emperor Menilik initiated government owned Printing Press Company in 1921 in Addis Ababa and, in 1925 it started publishing of a weekly, government-owned newspaper named Berhanena Selam. Afterward succeeding regimes established different printing enterprises. With the importance of having strong printing enterprise for national demand, Berhanena Selam Printing Enterprise (BSPE) has been playing the leading role in printing industry in Ethiopia for more than 90 years. Its printing services extended from printing books and magazines to advanced security printing activities. Other strong printing companies such as Artistic Printing enterprise, Mega Printings, ECA printing and publication section, Master Printings, Desta Printing etc...are established with growing printing demand of the nation (AAU, 2016).

## **2.4 Drivers of change in the print industry**



Numerous trends in opportunities and threats as well as drivers for change emerged from the debates: market forces, technology, human resources (quality of workforce and skills training), communication, enlargement through mergers and globalization. Common starting features are that the competitiveness and profitability of the printing industry is endangered by structural overcapacity, resulting mainly from increased performance of printing equipment against stable or slowing down demand. However new activity areas resulting from media technologies, more focus on competencies, adding value through adhering to networks, and more creativity in customer services, able to meet the range and depth of customers' needs, emerged as key factors to sustaining competitiveness (Europa., n.d.).

**Market Forces:** In the current harsh economic climate, players with better resources are in a better position to withstand the market setbacks and even exploit new market opportunities. The bigger companies not only maintain their income; some actually record new levels of profits and expand their operation. The corollary is that small-scale operators who have no major means of expanding regionally, and who have no bigger business umbrella to spread risk and diversify income will suffer (Centre for Cultural Policy Research, n.d.).

**Globalization:** To reduce operation costs, particularly in post-press services, major large sized printers, as well as some medium sized ones, have set up production facilities in the Chinese mainland. This trend of plant expansion is expected to continue, helped by the mainland authority lessening its restriction on foreign companies participating in the printing industry" (HK Trade Development Council, n.d.).

**Structural overcapacity:** Production in high-end printing market is inadequate, while there overcapacity in the low-end(Wen-Xiang, n.d.). There is a tendency for over investment in new equipment by some companies. In addition, a common tendency exists amongst

printers to retain old equipment even after new investments have been made in order to meet possible peaks in demand (British Printing Industries Federation, n.d.).

## **2.5 Prospects for the Print Industry**

Demand for print and printed packaging has traditionally been closely linked to GDP but there are now some signs of decoupling. Demographic trends will probably create higher volumes of printing. Print's overall share of the communications will maintain its gradual decline but this should not preclude continuing volume growth as the overall market continues to expand.

Electronic distribution via the Internet and other means will hit some segments such as business forms but on balance will stimulate rather than reduce print demand by creating new opportunities. Environmental regulations may reduce volumes in magazines and direct mail but will probably have little influence on packaging. There are considerably opportunities for innovation in both printing and printed packaging (British Printing Industries Federation, n.d.).

Other trends include: a growing proportion of printed output will be sourced from digital and flexo presses; automation of production processes; development of e-business; more customised and diverse outputs and more sophisticated workflow management. There is also likely to be further internationalisation of competition, customers, suppliers, printers and unions (Szentgyörgyvölgyi, 2008).

Three scenarios have been developed for print futures – decline (no growth or growth substantially below GDP), maturity (growth in line with GDP) and rejuvenation (growth

above that of GDP). Historical trends and most industry opinion suggest that the maturity scenario is the most likely to develop. However, a minority of those consulted believe that the others are credible futures (Watkins, 2012).

The printing industry has changed greatly over the last decade. This has been a response to new technologies, competition from other media and demands from customers for lower costs, higher quality and more rapid response. A key technical transition has been from analogue processes towards 'digital workflows' in which content is received and processed in electronic form. One result of this is heavy investment in information technology (IT) hardware and software and a growing need for IT skills within the industry. Good telecommunications links are also essential (British Printing Industries Federation, n.d.).

Technical and other changes mean that the industry needs less unskilled labour. There is also a changing balance between physical craft skills and computer-based process control and graphics skills. And shop-floor staff is being given greater responsibility for managing print processes. The industry has traditionally recruited from people leaving school at the minimum age but now requires higher average skills in its recruits. The number of new entrants to the industry has also been relatively low in recent years so that the workforce has a high average age. The industry has a patchy take-up of qualification-based training schemes and related initiatives.

The biggest impact to date was caused by structural changes resulting from the Internet Boom in 1995, which was brought on by emergent digital technologies as they began to offer alternatives to what had been a relatively unchallenged dominant media format (Romano, 2010a; Pira International, 1994).

## **2.6 A brief overview of cyclical cost factors, what affects them, and how they impact the printing industry**

Cyclical cost factors are defined by Paparozzi and Vincenzino (2007) as “the ups and downs of the economy, paper prices, energy prices, interest rates, and everything else that is sensitive to the business cycle.” As these costs rise and fall, they impact the cost of doing business in the printing industry, reflected in the costs of materials used for production, the cost of distribution of supplies and products, and the cost of meeting new regulatory requirements.

### **A. Material Costs**

#### ***Crude Oil***

Commercial printers’ heavy usage of oil- or natural gas-based products makes the spot price of crude oil a key cost factor for their operations, as increases in oil prices lead to increases in production costs (First Research, 2011). Oil prices tend to be sensitive to geopolitical events, extreme weather, and other events which disrupt supply or cause uncertainty about future oil supplies (U.S. EIA, 2011). The spot price of crude oil has increased dramatically above the average inflation rate since the year 2000 (U.S. EIA, 2011), which has impacted the cost of inks, solvents, and many other chemicals used in the print production process, as well as distribution costs.

#### ***Paper Substrates***

Commercial printers’ products are typically printed on paper substrates, and paper is the biggest individual material cost for printers (First Research, 2010). Thus, when the cost of paper increases, the cost of print also increases, which leads to print customers being more likely to consider alternative media. The paper industry itself is one of the most energy-intensive industries in the world, and is very dependent on the cost of crude oil for distribution and operations (Brown & Atamturk, 2008). Over the past 25 years, the paper

industry has experienced significant structural changes including mill shutdowns, layoffs and reduced hiring, slowed capacity growth, and significant loss of market share to foreign competitors (Urmanbetova, 2008).

## **B. Distribution Costs**

The other major cost in print media is the cost of product distribution. According to Romano (2010a), logistics are critical for accessibility by the end consumer. The cost of distributing information was predicted to become increasingly important by Pira International (1994). In the traditional “print and distribute” workflow, materials are printed and bound before they are delivered to a warehousing facility for storage, from which they are sent out to the customer or end user (Cummings & LeMaire, 2006). The rising cost of distribution (due to increases in the price of crude oil) affects distributors such as long-haul truckers and the USPS, which in turn impacts shipping costs for supplies and finished products to internal storage locations, the customer, distribution centers, and the end user (Cummings & LeMaire, 2006).

### *Postage Rates*

Postage was a significant proportion of print-related manufacturing costs, frequently exceeding all other costs combined. This means that the delivery rates have a significant impact on printers’ costs, and thus their return on investment (ROI). The postage is also heavily affected by the cost of oil (Romano, 2010a).

### *Long-Haul Trucking*

The printing industry’s cost of doing business is also heavily affected by its reliance on long-haul trucking—which dominates the distribution industry—to deliver products from warehousing and internal storage to customers and end users. Several factors affect the

cost of these distribution methods, including the cost of fuel and driver shortages, among others (Davidson, 2012).

### **C. Environmental Regulations and Sustainability**

Both environmental regulations and the desire of the general public for sustainable practices affect the printing industry. According to interviews of New York State printers conducted by Coleman and Ramchandra (2010), a greater focus on the environmental impact of printing, paper consumption, and recycling has caused some customers to reduce their printing and work more with Internet-based marketing. Printers have acknowledged that there are more regulations on environmental issues than ever before, and these will only continue to increase in the future (Coleman & Ramchandra, 2010).

Smaller printers have more difficulty in overcoming the economic and administrative requirements for sustainability policies, practices, and certifications (Coleman & Ramchandra, 2010).

In addition, many of the industries cited in these cyclical cost factors — who provide oil-based products, paper, and distribution services for the printing industry — are frequently affected by costly environmental and sustainability initiatives within their own industries, which increases their cost of providing those materials and services to the commercial printing industry (Davidson, 2012, Romano 2010a).

## **2.7 Historic World Events that affected the print industry**

Cyclical cost factors in the printing industry have been severely impacted by world events that disrupted their normal cycles, which led to greatly increased prices and unsteady markets at a time of critical structural change. Because these cyclical cost factors

affected the costs and convenience of printed products, customers were driven away from print. In turn, printers had less awareness of the impact of their industry's structural changes as they were preoccupied with containing their own costs in an effort to maintain or regain their customer base.

### **A. The Digital Revolution**

The Digital Revolution began before 1995 with the development of personal computers, digital file formats, authoring tools, and portable storage devices (Romano, 2010a). In 1995, several key improvements in digital technologies' device connectivity and file compatibility launched a new era in the media (Clinkunbroomer, 2003; Romano, 2010a).

### **B. The Internet**

The Internet was invented in 1969 by the U.S. Department of Defense for emergency communication in case of an attack, but its true potential was not seen until later in 1991 when the hypertext-based World Wide Web was established, allowing links between different web sites or text anywhere in the world. This was an unprecedented level of connectivity (Romano, 2010b). Netscape developed the first commercial graphic browser and web server in 1995, which made the Internet significantly easier and far less intimidating to use for the common consumer (Romano, 2010b). This sudden wide-spread accessibility of the Internet, or "Internet Boom" (see Figure 2-2), changed the world due to its nearly instant results, convenience, and negligible distribution costs. It was a disruptive technology due to the fact that it was not a revolutionary new kind of communication, such as TV, radio, or the written word had been; rather, it was a new way to distribute the audio, textual, and visual content consumers were already familiar with, resulting in significantly higher appeal to those already-established markets (Romano, 2010a). It also had relevancy as a direct marketing tool because Internet-based marketing was faster, cheaper, and

measurable in its effectiveness due to the ability to track consumer traffic on websites (Romano 2010a).

The Telecommunications Reformation Act of 1996 allowed Internet service providers to compete for market share. Personal computer ownership also doubled between 1995 and 1998 from 43 million users to well over 80 million (Romano, 2010a). This helped Internet-based communications to gain a firmer hold on the market, with an even wider audience and improved ROI for marketing activities.

As Internet-based advertising grew, traditional advertising media declined as revenues shifted to new digital media advertising. Newspaper advertising revenues were impacted particularly strongly from 2006 to 2009, dropping 48% in value from \$49,275 to \$27,564 (Edmonds, Guskin, & Rosenstiel, 2011). In 2009, Outsell, a consulting and research group, surveyed over 1,000 marketers and advertisers to find that 32.5% of the planned 2010 U.S. marketing spending was destined for digital media, while only 30.3% of the spending was bound for print advertising (Romano, 2010b).



## **CHAPTER THREE: RESEARCH METHODS**

This chapter describes the research design applied to the study. It also discusses the sources of data, research population and sampling frame, data collection tools and data collection methods and method of data analysis. Besides, it reveals the ethical considerations of the study.

### **3.1 Research Design**

Cooper and Schindler (2003) summarizes the essentials of research design as an activity and time based plan; always based on the research question; guides the selection of sources and types of information; a framework for specifying the relationship among the study variables and outlines the procedures for every research activity. The researcher used qualitative approach with exploratory research design, and the reason for selecting a qualitative study is that the method facilitates to explore implicit assumptions, identify variables, and overcome the lack of theories that can be employed to explain the exact behavior of participants (Creswell, 2014). The exploratory research design using case study method is primarily used in qualitative studies to provide the overall strategy for collecting and analyzing in-depth textual data in order to gain adequate understanding of the problem from the perspectives of the research participants (Michael & Matthew, 2002).

Yin (1994) defines a case study as, “an empirical inquiry that investigates a contemporary phenomenon within its life context, especially when the boundaries between phenomenon and context are not clearly evident”. Case studies may involve an in-depth study of an organization, program, event or one or more individuals (Stake, 1995). When a researcher uses more than one case in a study, it is known as a multiple-case design, multicase design or multisite studies (Yin, 2003; Merriam, 1998). In this study, the researcher

made use of a multiple-case study design. Merriam (1998) observes that, the inclusion of multiple cases is a common strategy for enhancing the external validity or generalisability of research findings. Given the applied nature of the research and the multiplicity of settings involved in the study, it is the researcher's view that the multiple-case study design was the most suitable and applicable method by which the aims and objectives of the study could be addressed and the research questions answered. The time dimension is cross-sectional, and the public enterprises are studied by taking a cross-section of the phenomenon at a given time and analyzing the cross section carefully.

### **3.2 Research Population and Sampling**

The study focuses on the printing public enterprises of Ethiopia. Currently, there are only 3 printing public enterprises. These are Brana, Birhanina Selam, Artistic and Educational materials printing enterprises. These enterprises are considered the population of the research at the highest level. In addition, members of employees of the enterprises were considered as the population of the study. Further, people who are knowledgeable about the industry were accounted as elements of the study population.

In many cases, be it operation research or academic research, it is not feasible to study the whole population. As a result, in many research inquiries; the researcher chooses a sample from among the population from which he wants to draw conclusions on. For the purposes of this study, 13 employees of the enterprises and people who are knowledgeable about the sector were selected purposively. Some types of research design necessitate researchers taking a decision about the individual participants who would be most likely to contribute appropriate data, both in terms of relevance and depth (Paul, 2005). The purposive sampling technique is a type of non-probability sampling that is most effective when one

needs to study a certain cultural domain with knowledgeable experts within. Purposive sampling may also be used with both qualitative and quantitative research techniques. The inherent bias of the method contributes to its efficiency, and the method stays robust even when tested against random probability sampling (Tongco, 2007).

Given that the research sought to explore and understand the challenges of the printing enterprises of Ethiopia public enterprise. Consequently, maximum variation sampling was utilized when selecting participant individuals. Patton (1990), observes that maximum variation sampling is a strategy for purposeful sampling aimed “at capturing and describing central themes or principal outcomes that cut across a great deal of participant or program variation”. In this type of sampling strategy, heterogeneity of participants can be problematic given that individual cases can be so different from each other. However, Patton (1990) notes that, the maximum variation sampling strategy turns this apparent weakness into a strength by ensuring that “any common patterns that emerge from great variation are of particular interest and value in capturing the core experiences and central, shared aspects” of the various cases under study.

In each of the printing public enterprises that were selected for the research, department heads and members of top management were interviewed. Senior management of the enterprises were specifically targeted because; they possess key information on the history and operations of the enterprises that were selected for the study. People who are knowledgeable about the sector from the private sector and are clients of the enterprises were also selected using convenience sampling. Participants from the category of key informants were drawn into the sample by means of purposive sampling.

### **3.3 Data Sources**

Qualitative and quantitative data were gathered from both primary and secondary sources that were utilized as an input to the study analysis and interpretation process. Primary sources include responses to interviews and review of documents including policies and guidelines related to the study area. The secondary sources include research papers and statistical information, etc.

#### **3.3.1 Secondary Data Collection**

In this research an extensive analysis of published & unpublished literatures and proclamations, directives, policies relating to, enterprises development was undertaken. Secondary literature was obtained from Addis Ababa University and St. Mary's University libraries and online journals, databases through search engines. This data provided a general understanding of the field of public enterprises and related themes, and gave insight into the problem area. Creswell (2014) supports the idea that documents are a rich source of data; he observes that the researcher must gather documents like newspapers, letters, office reports, or any other forms of documentation that can potentially be useful to the research.

#### **3.3.2 Primary data collection**

Semi-structured interview questions were used as the main research instrument during data collection. The semi-structured interview questions used a set of pre-determined open ended questions to guide but not dictate the flow of the interview. The advantage of using semi-structured interview question was that, it helped to keep the interview flow within its allocated boundaries. It also provided the researcher with a checklist which ensured that all aspects important to the research were covered during the interviews (Patton, 2002). The interview guide questions were designed in line with the specific research objectives and the corresponding research questions.

### **3.3.3 Pre-testing the research tools**

After the interview questions were prepared, the researcher tested them so as to ensure whether the tools can produce the intended answer which will satisfy in meeting the specific objectives. Interviews were conducted with individuals drawn from the enterprises and those who are not taken as participant for the main research. According to Patton (2002), pre-testing involves administering research tools to people who will not form part of the actual study but have similar attributes to those who will participate in the main research. The major reason for pre-testing is to find out possible shortcomings of the data collection tools in order to make the necessary adjustments before the main research begins. In some cases questions may be ambiguous and the research tool may fail to elicit the necessary responses needed and changes to the research tool will have to be made prior to the commencement of the research. The researcher did make considerable changes to the interview questions after a pre-test was done. Certain sections within the interview questions were repetitive and this problem was rectified.

### **3.4 Data collection methods**

The majority of the research data was gathered using in-depth interviews. According to Greeff (2002), “interviewing is one of the predominant methods of data collection in qualitative research.” The advantage of using interviews is that they allow the researcher much flexibility to follow up and further probe on interesting leads during the interview and rich data can be gathered using this method. The interviews were tape recorded in order to avoid data loss through memory decay during field work.

### **3.5 Data analysis methods**

As Creswell (2014) asserts qualitative data analysis is an “ongoing process involving continual reflection about the data, asking analytic questions, and writing memos throughout the study”. Creswell also notes that, case study research involves a detailed description of the settings or individuals followed by analysis of the data for themes or common issues.

After the data were collected from the participants and beneficiaries in the printing public enterprises under study as well as from the selected key informants, the researcher organized both the audio recorded interviews and field notes. Since the in-depth interview was conducted in Amharic, all the audio records were translated from Amharic into English and transcribed into written form and the field notes were arranged based on specific themes. In other words, the field notes were be summarized into categories and then into themes. The researcher familiarized herself with the obtained data by reading and rereading the data thoroughly which helped researcher be able to get a detailed understanding. The data was then summarized and categorized by specific research objectives. The interpretation of data was then made and relationship of the data with literature was critical during this process. Central to this process was the attempt to answer the research questions and address the objectives of the study.

### **3.6 Ethical considerations**

As noted by Lewis (2003) ethical consideration should be made in every research. The process of ethical consideration started with official letters written to respective organizations by Indra Gahndi National Open University via St. Mary’s University. Brief explanation about the purpose of the study, the kind of participation required, how the

collected information was going to be utilized and an approximation of how much time is required for interview was given to the participants. In order to assure the ethical consideration a written informed consent was obtained from every participant after proper explanation. In order to ensure confidentiality of the information the audio records are handled with utmost care protected with pass word. After completion of the study and the thesis defense, the audio records are going to be destroyed.

## **CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

This chapter presents the key findings of the study as well as the analysis and interpretation of the data. It also portrays the current status of the print industry in Ethiopia based on the data collected through document review. The industrial analysis using porter's five forces also discussed to give sound foundation for the industry understanding. Further, it unpacks the challenges of the public printing enterprises of Ethiopia.

### **4.1 Profile of the study participants**

Individuals working in the public printing enterprises, veterans in the print industry, individuals working in organizations that are customers of the enterprises participated in the study as key informants. The total number of key informants was 13. 70 percent of the key informants were from the enterprises while the rest of the participants were from the private sector and customers of the enterprises. Of the total participants, female key informants constituted only 23 percent while the male key informants assume the 77 percent share. This is a reflection of the long standing domination of higher managerial positions by men for long. Though women have started playing key role in business and public sector, the change will remain to be progressive rather than radical.

The education qualifications of the key informants revealed that 60 percent of the study participants have post graduate degree, 26 percent have first degree and 14 percent diploma and other certificate holders. The fact that most of the study participants have post graduate degrees is mainly a function of the sampling technique, which bases on the position of the key informants assume in the industry and in the concerned organizations. Almost all of the study participants had more than a decade of experience in the industry. Those who



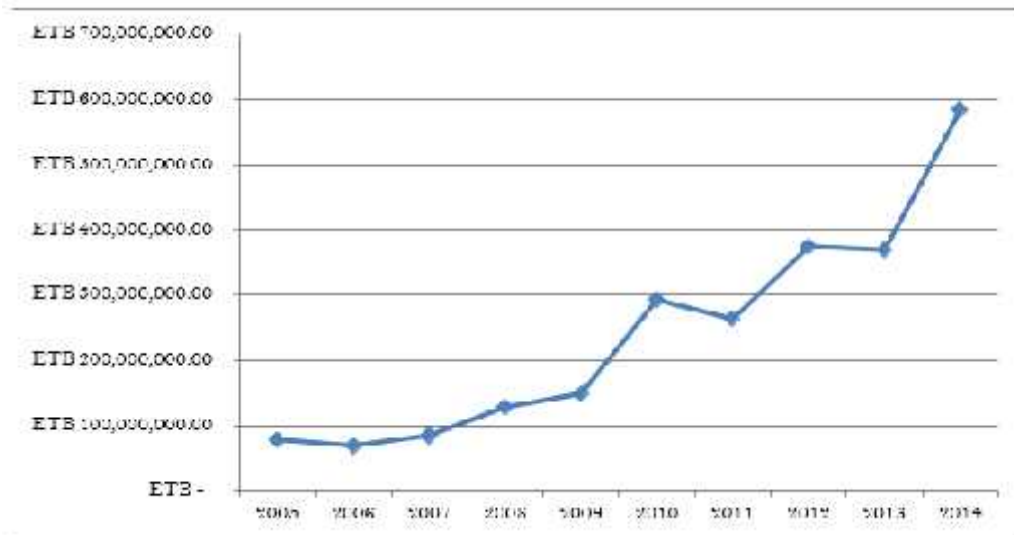
were from the existing and previous employees of the printing enterprises had the higher years of work experience in the industry and the enterprises.

The profile of the study participants showed that the key informants are well positioned to provide accurate and timely data about the print industry in general and the challenges of the public printing enterprises.

## **4.2 Current status of the print industry**

Printing technology has grown with advancement of various technologies. Since Ethiopia started using modern printing technology during Emperor Minilik II then, number of private and public printing companies' establishment has increased substantially. Majority of these establishments emerged over the past couple of decades. Nevertheless, satisfaction of customers and exported printing service demand has increased.

As it can be clearly observed from figure 1 below, printing related goods import has increased more than seven fold since 2005. Import data of printing related demand shows that there is excess demand as compared to local production within the country are not produced locally. Imported products imply the need for goods produced outside the country and their intensity over time. This can be associated with population growth, increased economic activity, advancement of printing technology and education system expansions.

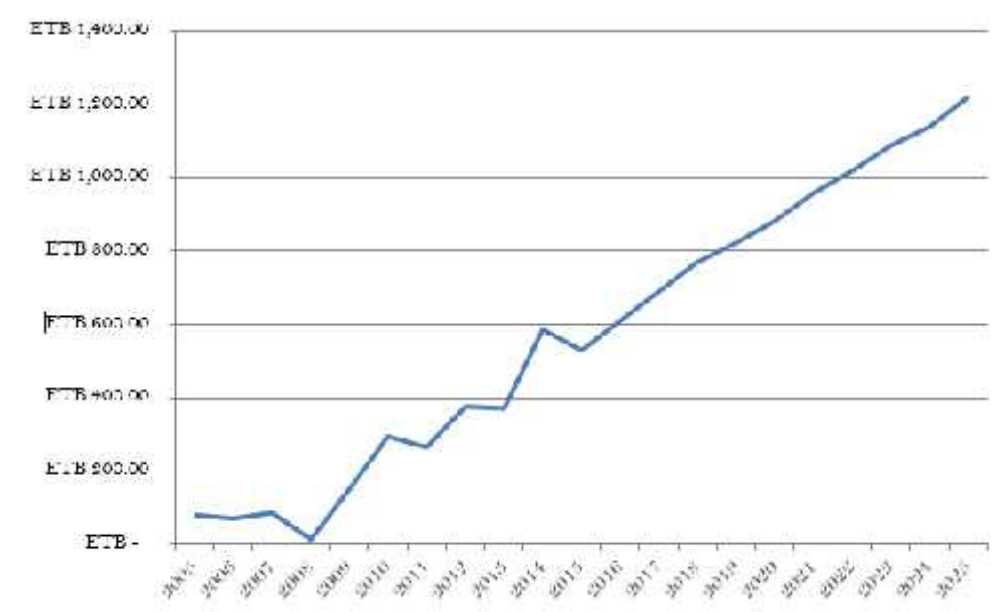


**Figure 1. Imported machineries and raw materials CIF value in Birr(2005-2014)**

Source: (AAU, 2016)

Taking into consideration issues like anticipated growth rate of the industry in GTP-II, service economy growth in the country and estimated population growth, it can be assumed that current trend of demand growth continues over the next ten years. However, forecast is made for future and no one can forecast, with certainty, how things would go in the future. Moreover, digital media (such as use of tablets, smart phones and e-readers in place of printed materials) is considered to impact printing press activities all over the world. With this considerations in mind, a recent study entitled “Need Assessment for Identification of Educational Programs and Research & Development Areas” by Addis Ababa University import demand forecast tend show that it will be growing in the coming years.

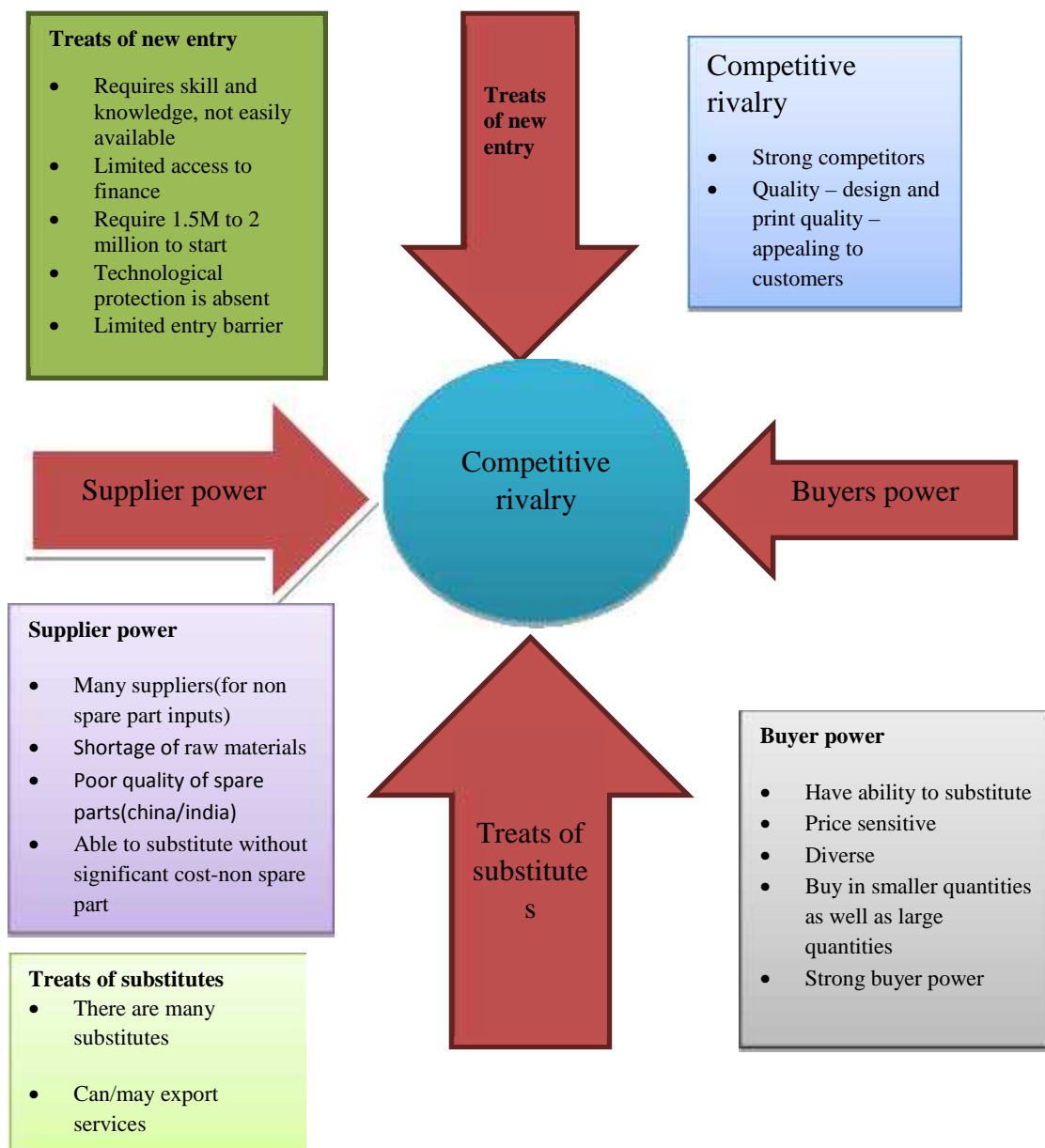
Moreover, as compared to other developed countries, printing technology in Ethiopia is at infant stage. As customer expectation grows with various printing preferences, the technology used in the country also grows. This and similar factors are expected to sustain growing demand observed.



**Figure 2. Forecasted trend of printing machineries and materials**

### **4.3 Porter's Five Forces Analysis of the Print industry**

The ease of entry to the print industry depends on the scale of the operation one desired. The discussion with the owners of Print firms and management members of the public enterprise showed that launching a small scale print firm requires between 1.5 million to 2 million. The industry also demands “specialized” skilled in the technology. In the absence of many training institutions on print, the supply of skilled human resource largely depends on people who migrate from existing print firms and graduates of the few training institutions available. On the overhand, there is no protection of technology. In view of this, it appears that the entry barrier is not strong.



**Figure 3. 3 Porter's Five Forces Analysis of the Print industry in Ethiopia**

Source: (Own Study, 2017)

The power of suppliers in the industry needs to be differentiated. On the one hand, there are material inputs that include machineries, papers, ink, chemicals, glue, wire, laminating plastic and related items. On the other hand, the supply of raw materials demands special treatment it has a different characteristics. Supplies of material inputs stated above

are supplied by many suppliers. Nevertheless, the capacity of many of the suppliers is limited and are not able to meet the demands of the market. The supply of spare parts for machineries one the other hand is dominated very few suppliers. As to the key informants participated in the study about 80% of the spare parts are supplied by Orbis. This is primarily because most of the machineries used by the firms is old. Even those public enterprises that possess the latest machines predominantly use the old machines. These machineries are the 1950s and 60 products and are out of the production. Thus, it is usually modified spare parts manufactured in china and India, which are of poor quality, that are available in the market.

The buyers in the print industry of Ethiopia are many and diverse. These include beer factories, food and beverage factories, and packaging factories, government institutes including Universities, ministries and public enterprises. In addition, religious institutes, banks (deposit slips, transfer slips, withdrawal slips, and books) hospitals (Hospitals –cards, registration books), publishers, and NGOs are among some of the buyers.

Data from secondary sources and the interview indicated that many companies with large printing demand export their printing demand to foreign companies in countries like Kenya, Dubai, India and China. As it is well known, all exported and imported products are registered with Ethiopian revenue and customs authority (ERCA). With visit to various offices of ERCA and its website, it was apparent that registration of exported service is not recorded by any means. Companies communicate with external suppliers and order their printing demand without any need to register it with ERCA. When printed orders arrive, they are included with other printed materials import with HS codes as indicated in the table below.

It has been also indicated that many companies export their work to international

companies. This is driven by unavailability of local quality printing service providers, with sufficient capacity, and ability to meet deadlines. Some of the major companies exporting their printing services include but are not limited to Ethio telecom, Ethiopian Airlines, National Lottery, Ethiopian Postal Services, Some Banks and NGOs. Visit to some these local companies has revealed insight to reasons why they tend to export printing services.

For example, more than 5% of Ethio telecom's printing related demand is printed overseas. The main reasons why local service is not utilized are low quality, inefficiency and problems related with meeting deadlines. For the company's most paper related printing demands, it utilizes local companies while they orders related to customer giveaways, agendas and calendars are sent abroad. This trend of exported service is also observed in other companies like banks.

On the contrary, around 90% of Ethiopian Airline's printing demand is served by overseas companies. Major reasons why majority services are exported are described as print quality, technology employed, paper and ink used, cost, unavailability of printing companies that can meet their demand on time etc. These issues are sensitive to international companies like Ethiopian Airlines that rely on customer satisfaction in all dimensions and loyalty. One means of communication with customer is such printed materials offered by the airline and tends to remain with the customer. Quality of such communication media thus presents priceless representation of the airline. Adhering to high quality printing standard is also understandable.

Other companies like National Lottery export some of their printing services because technologies to print specific demands (for example scratch lotteries) are not available locally. Quantity discount is also another reason for exporting printing service needs. Companies in India and Malaysia provide significant quantity discount with good quality making it attractive alternative for the company. Due to these and similar reasons as

those indicated above i.e. quality and deadline, the company exports 85% of its printing demand.

Most of these printing service demand exporting companies have indicated their desire to use reliable local printing service providers – if available. This is additional opportunity to the sector. Harnessing the opportunity, of course, is related to advanced technologies usage and skill of human resource. This adds to the need of establishing strong training center in printing technology in Ethiopia.

The key variables of rivalry between and among the existing printing companies are quality (design and print quality, appealing to customers), delivery time and technology. In connection to this, most of the key informants indicated that the kind of technology (machinery) has high impact on the quality of design and print. Clarifying this, one interview said: “ even if you sue similar material input and skilled manpower/professional, the quality of the design and print will be much different is the kind of machinery used are of different quality.

Exist from the sector is not a serious challenge as to most of the key informants. There are many and capable actors in the market who can takeover if one intends to liquate the asset. This is mainly the function of the growing trend of the industry in Ethiopia despite the overall decline globally in light of information technology advancement.

## **4.4 Challenges of the printing public enterprises**

The identification and analysis of the major challenges of related to the Ethiopian Governmental Printing Enterprises is the central focus of the study. The major challenges of the enterprises as identified by the study are issues related to raw materials and machinery, use of modern technologies, maintenance of machineries, investment in human resource and related quality of the available human resource and the existing government policies and procedures related to the management of the enterprises. These challenges are discussed in detail in the following sections.

### **4.4.1 Challenges related to raw materials and machineries**

The printing industry is supplied mostly by imported raw materials. Importers of paper, chemicals and other raw materials have very limited knowledge and technical knowhow in printing technology. The major target for these importers is minimizing cost and maximizing profit without consideration of its impact on the printing sector. Weight of paper, quality of paper, chemical content, spare part quality etc... pose serious threat for the sector.

One of the key challenges of the public printing enterprise is supply of raw materials locally. Though there are a number of dealers in the local market, their capacity to meet the demands of the enterprises far below against the demand according to members of the top management of the enterprises and some suppliers participated in the interview. One key informant said the suppliers are not even present samples in time. As a result of this, the enterprises opt for international tender. This is also affected by a number of factors including shortage of foreign currency. Most of the key informants reported as some procurements may take up to a year to complete.



#### 4.4.2 Challenges related to use of printing technology-Machineries

The existing printing public enterprises aim at possessing advanced technologies to further their business competitiveness. The changing business environment mandates acquisition of improved technologies to satisfy customer demand. Actually some of the enterprises has realized this. For example Berhanena Selam printing enterprise owns Speed master and Solna web which uses the latest technologies in the current printing industry. This might indicate interest to satisfy their customer demand by using advanced technologies. However, most of the key informants and reviewed literatures revealed that the advanced technologies are not being used as per their design capacity limiting their capacity utilization, human resource unavailability who can confidently manipulate them created such underutilizations. For example, varying frequency of plate preparation yields varying print contrast when printing. Such alterations, however, are not practice with fear of interfering with the machine. Maintenance and operational capability limitation of workers is contributing to this factor tremendously as well. One of the commentaries on the announcement of the enterprise to implement computer to plate system said the following

*“I hope what they say is true coz in the most bureaucratic place like BSPE implementing new technologies like Computer to Plate (CTP) system is a very hard thing for the ppl who are working there to accept or hard to learn about it . (the enterprise cant even operate well with the ones they have let alone additional machinery s ). That may be due to peoples capacity to learn or may be the training been given to the wrong people than the exact people in charge of the operation or the other option is poor management.*

*Working for a media company , i have to make a frequent visit at least once a week to the printing press (BSPE) i have observed a lot >:XXi m sure am not alone if when i say Printing there SUCKS big time . If one week the quality is comes out good that don't mean same thing happens next week . No ! if one thing works this week you are not 100% sure if that same thing will carry on functioning well on your next visit.*

*if we had better and competitive options than BSPE.....:no:*

*time for change , ;)and i wish they think thru of changing those OLD , VERY OLD Apple computers at the designing room to GOSH :roll:it looks like they have been there since the beginning.” Nazret.com. (n.d).*

## **Machinery maintenance**

According to most of the interview participants, the enterprises do not have experienced people to maintain the modern machines. Here, the key informants from the enterprises had indicated as there are few people who were trained on the modern machines procured as part of the procurement contract. Nevertheless, they lack the due experience and mentoring. The enterprises mainly use outsourced maintenance services offering entities, of which most are individual freelancers. Experienced workers who gained operational and maintenance skills during governmental and private printing companies’ initial machine installation operate independently to provide maintenance services. These skills are experience centered with very small formal education and training. There are few well-organized printing machinery maintenance providers in the country. These are Orbis Trading and Technical Center, Vanguard and MFI. Other maintenance service providers are freelancer with significant mobility – making communication difficult for interview.

Orbis Trading and Technical Center S.C is one of the oldest and biggest companies in Ethiopia and sole agent for Heidelberg (Printing Machine), and Motorola Radio & Canopy (Communication and Network Machine). Orbis is founded on high-quality machinery specialist, experiences technicians and the modern infrastructure of a certified Monitoring center. Vanguard Maintenance Service Company is working on various printing machines including Heidelberg machines – both offset and digital

machines. Maintenance services given by the company are mechanical component maintenance, electrical circuit maintenance, electronic or control part maintenance, troubleshooting, and configuration.

When problems occurring are something routine, solutions tend to be easy to avail. On the other hand, serious problems or problems associated with advanced technologies are not maintained with experience only centered service provides.

In a recent study on the printing industry, availability of spare parts was rated as the highest significance in likelihood of problem occurring in printing business. Interview and discussions made with respondents made it clear that spare parts for existing printing enterprises is either very difficult to find or very expensive as compared to its value in international market. Suppliers tend to take advantage over unavailability of these spare parts and charge excessive price as printing companies have very limited option other than buying with expensive price. This is mainly because the enterprises tend to use the old machines despite having the modern and up to date technologies as to most of the key informants.

#### **4.4.3 Challenges of human resource**

The printing industry in Ethiopia is generally regarded as labor-intensive sector employing mainly less educated workers. The data collected from the enterprises confirmed occurrence similar situation. The enterprises employ majority workers with educational level from basic read and write to diploma levels. This can be taken as illustrative scenario that the industry is mainly run by experience rather than education. This has been repeatedly indicated by respondents during interview discussions. In addition, it is observed that, it is hard

to find experts well equipped with design software. Up to date technology in the industry is not used because of knowledge and skill gap observed in machine operation and maintenance. These findings clearly show that education in the field of printing technology is crucial and training current and future employees in the sector is essential for printing company's success.

The employees' level of job satisfaction and turnover appear to be affected by stringent pay of the enterprises compared to the private sector. Enterprise brain drain for slight change of salary is also raised as problematic issue in the sector by some of the study participants.

#### **4.4.4 Challenges related to product quality improvement**

The analyses of the nature and magnitude of the problems arising in various operational activities starting from job receiving to various maintenance activities and spare parts availability showed different issues related quality improvement. It was apparent that all the business activities survived have significance for the sector performance. The cause of defects was the major interest for this study as it implies area of concern in relation to quality improvement. Most of the defects were reported to be associated with human factor issues. The other causes also contribute their share but are almost by half important causes. This establishes strong understanding for the need to focus on human resource skill and knowledge development.

#### **4.4.5 Challenges related to existing government policies and procedures specific to the printing industry**

Some of the challenges raised by the key informants about challenges include policy and procedure constraint related to pay scale of the enterprises, procurement procedures and determination of the financing of the enterprises investment by separate office rather than using the profits generated. The management of the human resource of the enterprises following the prevailing government practice limits the ability of the enterprises to be competitive with the private sector. This was identified as one key factor to the brain drain from the enterprises.

The procurement procedure of the enterprises as set by the government policy also inclines to international tender. This causes delay in delivery of input materials and discourage local business that have backward linkage with the sector. Moreover, most of the procurements from abroad are reported to be made at higher price.

## 4.5 SWOT analysis of the Printing Public Enterprises

The printing public enterprises have special characteristics in their operation against the private printing firms. Some of these emanate from the fact that some of the government management practices apply to them are not limited by their income for growth and investment, and a different procurement procedure. They also enjoy special consideration for some printing demands of the government. In view of this, the strengths, weaknesses, treats and opportunities of the printing government enterprises in analyzed based on the qualitative data collected through interview and review of relevant secondary sources including the enterprises reports.

<b>Strength</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• High volume input purchase</li> <li>• Have financial resources(can easily access financial resources)</li> <li>• Have better machinery and other technologies</li> <li>• On the job training for employees</li> <li>• Better skilled staff in the use of modern technologies. They train their employees abroad as part of new machinery procurement</li> <li>• Own building/facility</li> </ul>	<ul style="list-style-type: none"> <li>• Buy inputs primary from abroad- usually at higher prices</li> <li>• Expensive-high price</li> <li>• High overhead cost</li> <li>• Salary is based on the civil service based- high turnover of skilled and experienced employees</li> <li>• Poor use of acquired modern equipment, not adding value</li> <li>• Use of old machinery -1950s-1960s</li> </ul>

<b>Treats</b>	<b>Opportunity</b>
<ul style="list-style-type: none"> <li>• Lack of training institute- challenge of getting trained labor force</li> <li>• Growing IT technology</li> <li>• Lack of protection in the long term</li> <li>• Price fluctuation</li> <li>• Globalization</li> <li>• Environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Government support. Given priority for printing of national exams <ul style="list-style-type: none"> <li>○ Tickets – bus-train</li> <li>○ Passport</li> <li>○ Receipts</li> <li>○ Text books</li> <li>○ Government newspaper- being a price giver</li> </ul> </li> <li>• Growing economy and flourishing business</li> <li>• Print industry is not open to foreign firms</li> </ul>

Source: (Own Study, 2017)

## **CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS**

This chapter summarizes the study findings and presents the conclusions of the study. It also deals with the recommendations forwarded to address the identified challenges and improve the performance of the printing public enterprises of Ethiopia.

### **5.1 Conclusion**

The print industry is a growing sector in Ethiopia. The existing printing companies including the big printing public enterprise are not able to meet the satisfaction of customers. In connection to this the demand for exported printing service has increased.

The industry analysis showed that barriers to enter in to the print industry are not strong. The power of raw material input suppliers is also weak as there are many suppliers of the inputs. There is no much capacity difference between and among the suppliers as well. On the other hand, the suppliers of spare parts are few and enjoy a strong power in the industry. The buyers in the industry are many and diverse and thus put less pressure in the power relationship. However, the substitutes has a significant influence in the industry. Data from secondary sources and the interview indicated that many companies with large printing demand export their printing demand to foreign companies in countries like Kenya, Dubai, India and China. The exporters of the service are of particular interest as they take a significant share of the industry product. These are Ethiopian revenue and customs authority (ERCA), Ethio telecom, Ethiopian Airlines, National Lottery, Ethiopian Postal Services, Some Banks and NGOs.

Most of these printing service demand exporting companies have indicated their desire to use reliable local printing service providers – if available. This is additional opportunity to the sector. Harnessing the opportunity, of course, is related to advanced



technologies usage and skill of human resource.

In light of the above, the analysis of the challenges of the printing public enterprises in Ethiopia with the aim of improving their performance and enhance their ability to respond to the growing need was the focus of this study. In connection to this, a number of challenges and constraints were identified. These are related to raw materials, machineries, use of technology, human resource management, quality improvement and policies and regulations.

One of the key challenges of the public printing enterprise is supply of raw materials locally. Though there are a number of dealers in the local market. Nevertheless, their capacity to meet the demands of the enterprises is far below against the demand. The printing industry is supplied mostly by imported raw materials. Importers of paper, chemicals and other raw materials have very limited knowledge and technical knowhow in printing technology. The major target for these importers is minimizing cost and maximizing profit without consideration of its impact on the printing sector.

The enterprises are using the modern and up to date machineries they have acquired as per their design capacity limiting their capacity utilization, human resource unavailability who can confidently manipulate them created such underutilizations. There is also a general tendency to use the older machines.

The enterprises also do not have experienced people to maintain the modern machines. Here, the key informants from the enterprises had indicated as there are few people who were trained on the modern machines procured as part of the procurement contract. Nevertheless, they lack the due experience and mentoring. The enterprises mainly use outsourced maintenance services offering entities, of which most are individual freelancers. There is a dearth of spare parts for the older machineries in the market as well.

The enterprises employ majority workers with educational level from basic read

and write to diploma levels. This can be taken as illustrative scenario that the industry is mainly run by experience rather than education. In addition, it is observed that, it is hard to find experts well equipped with design software. Up to date technology in the industry is not used because of knowledge and skill gap observed in machine operation and maintenance.

The employees' level of job satisfaction and turnover appear to be affected by stringent pay of the enterprises compared to the private sector. Enterprise brain drain for slight change of salary is also noted to be a problem. Besides, most of the defects were reported to be associated with human factor issues.

Some of the challenges related to policy and procedure constraint are pay scale of the enterprises, procurement procedures and determination of the financing of the enterprises investment by separate office rather than using the profits generated.

On the basis of the findings of the study, it is possible to conclude that the printing public enterprises are experiencing a number of challenges in meeting their customers' expectation and meet the demand in the market. The challenges are shortage of skilled manpower, inability to use available and acquired machineries, shortage of spare parts, prolonged procurement procedures, quality issues related with use of older technologies and human factor, and less control of investment on growth. Most of the challenges are workable and can be dealt with effectively.

## **5.2 Recommendations**

To address the challenges and constraints identified and improve the performance of the enterprises so as to meet the print demand including that of the government arms and save foreign currency, the following recommendations are forwarded

- The enterprises employee training efforts needs to be systematic. The current trainings are not based on well-developed curriculum. Specialized trainings reaching very limited number of the enterprises employees should be rolled out to the employees who directly on the operation of the machines. Though only 1-3 people are trained on such occasions, the enterprises could increase the skilled pull of human resources by using the trained employees as trainer. Here, it would be beneficial to involve the contractors as mentors at least in the first round of such training sessions. In the medium and long term the government may also need to consider investing of academic and technical education opportunities related to the print industry.
- The enterprises also need to come up with a clear strategy and process for the technology transfer from the use of old machines to the acquired machines. This also needs to consider those which are on pipeline. The general trend of retreating to the use of the old machineries might be considered as a function of the enterprises lack of defined transition strategy in addition to the human resource factor discussed above. The enterprises should make sure the acquired productive assets are used to meet the expectations of customers and stay competent in the international competition so as to curb the export of the print service.
- The limitation related to provision of raw materials input might be best addressed via better planning and introducing change to the budgeting process of the enterprise. This is particularly important in tackling the effects of the challenges related to prolong procurement process that take about a year.
- The enterprises also need to negotiate with the appropriate government offices to retain a certain percentage of their profits for investment and growth.

- The government may also need to consider enhancing the local suppliers' capacity to facilitate the overall development of the print industry and address challenges related to supply of materials, spare parts and maintenance.

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# APPENDICE



**INDIRA GANDHI NATIONAL OPEN UNIVERSITY, IGNOU**

**SCHOOL OF GRADUATE STUDIES**

**INTERVIEW GUIDE**

**Dear Participant**

My name is Frehiwot Takele. I am attending my study at **INDIRA GANDHI NATIONAL OPEN UNIVERSITY, IGNOU SCHOOL OF GRADUATE STUDIES** in the field of Business Administration. Currently, I am undertaking my thesis project. The project is entitled “**MAJOR CHALLENGES OF ETHIOPIAN PUBLIC PRINTING ENTERPRISES**”. The major objective of this research is to analyze the Printing Industry in general and the challenges related to the Ethiopian Governmental Printing Enterprises specifically and indicating possible areas of improvement.

In order to make better sense of the nature of the parenting practice, it has become necessary to gather data on the views or opinion and practices of experts in the subject. You are selected purposively based on your knowledge of the subject matter and position in the industry. Participation in this project is completely voluntary. Survey results will be recorded anonymously and strict confidentiality will be maintained. Individual responses will not be identified in the investigator’s thesis.

**I appreciate your cooperation and thank you for sharing your precious time.**

## **Study participant background information**

Participant Number: \_\_\_\_\_

Type of respondent: \_\_\_\_\_ (expert/employee)

Age: \_\_\_\_\_

Sex: \_\_\_\_\_

Educational qualification: \_\_\_\_\_

Years of experience in the print industry: \_\_\_\_\_

Years of work experience at the public enterprise: \_\_\_\_\_

## **Interview guide for key informants- General**

1. How is the print industry characterized?
2. How attractive is the industry for investment?
3. What are the key factors that determine competition and success in the print industry?
4. What is the position of public printing enterprises in the print industry in Ethiopia?
5. How do you see the performance of the printing public enterprises of Ethiopia?
6. What are some of the strengths of Ethiopia printing public enterprises?
7. What are some of the weaknesses of Ethiopia printing public enterprises?
8. What are some of the opportunities Ethiopia printing public enterprises have?
9. What are some of the threats Ethiopia printing public enterprises facing or will face in the near future?
10. What are the major challenges experienced by Ethiopia printing public enterprises?
11. How do you think the Ethiopia printing public enterprises could deal best with the challenges and improve their performance?
12. Is there any other issue that you would like to tell me?

Thank you!!!!

# **Interview questions for the interview with the members of the Public printing enterprises top management members**

## **Questions for the PORTER's Five force Analysis**

1. Tell me about the print industry you work in, what characteristics does it have?

2. Competitive rivalry

How does the competition out in the industry? What is it that creates competition within the industry?

How does the growth in the industry?

What are your major cost items in the company?

How much differentiates you from your competitors?

What is the stability in the industry?

3. Threats from new entrepreneurs

How easy/difficult is it for companies to establish themselves in the industry and be competitive?

What investments are needed to do to be competitive in industry?

How you can reach out to the customer?

How important it is to be experienced and have a solid education in the industry?

What types of licenses are required it to establish himself in the industry?

4. Innovation \* complementary products

How important do you think innovation factor is within the industry?

How much affect your competitors is to come up with innovations and new solutions?

How you encourage innovative ideas generated within the company? What are your tools to encourage innovation?

What do you see as the relationship between innovation, competitive advantage?

5. Substitute

What options your customers to your services?

Do you feel threatened from other industries that offer an alternative?

How are you doing to reduce the risk of the customer to choose an option other than yours?

How do you go about pricing of your products/services? What drives the pricing on your products/services?

7. Strength of suppliers

How many providers do you have?

How easy is it for you to change providers?

How dependent are you on your suppliers/providers of how dependent are you?

How do you know that your negotiating power vis-à-vis suppliers?

What type of company are your suppliers?

#### 8. Power of buyers

Describe your clientele? What type of clients do you have?

How many customers do you have?

How easy is it for the customer to use the services of another company?

How do you know that your negotiating power vis-à-vis your buyers is?

#### 9. Summary of questions

What are the factors that affect your industry more than others?

What factors you see as less important? (Buyers, suppliers, competition, Substitutes, Threats from new entrepreneurs, Innovation, complementary products, customers ' kill/willingness/against/for new products.)

Describe the industrial surroundings you are established in.

**Questions for the SWOT Analysis (some of the questions in this section might be addressed in the porter's five forces analysis above. In such cases, the questions were skipped to reduce redundancy as is always true in interviews)**

#### **Strengths:**

What are your assets?

Which asset is strongest?

What differentiates you from your competitors?

Do you have immensely talented people on your staff?

Do you have a broad customer base?

What unique resources do you have?

Do you have a sustainable competitive advantage?

Do you have specific sales or marketing expertise?

#### **Weaknesses:**

What areas do you need to improve on?

What necessary expertise/manpower do you currently lack?

In what areas do your competitors have an edge?

Are you relying on one customer too much?

Do you have adequate cash flow to sustain you?

Do you have adequate profit levels?

**Opportunities:**

What external changes present interesting opportunities?

What trends might impact your industry?

Is there talent located elsewhere that you might be able to acquire?

Is a competitor failing to adequately service the market?

Is there an unmet need/want that you can fulfill?

Are there trends emerging that you can profitably service?

What kind of special supports you get from the government?

**Treats:**

Is there a better equipped (funding, talent, mobility, etc) competitor in your market?

Is there an entity who may not be a competitor today which could possibly become one tomorrow?

Are your key staff satisfied in their work? Could they be poached by a competitor?

Do you have to rely on third parties for critical steps in your development process that could possibly derail your delivery schedule?

What if your supplier runs out of product and you experience an extended stock out or shortage?

What if there is a natural disaster?

What if your customers go bankrupt?

What if you are sued?