**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE PROGRAM**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SURVIVING INTERNATIONAL COMPETITION: AN ASSESSMENT OF DETERMINANTS AFFECTING THE COFFEE EXPORT PERFORMANCE**

**BY ZEWOTER TESFAYE**

**December, 2021**

**ADDIS ABABA**

I

# SURVIVING INTERNATIONAL COMPETITION: AN ASSESSMENT OF DETERMINANTS AFFECTING THE COFFEE EXPORT PERFORMANCE

## A THESIS SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION

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## BY ZEWOTER TESFAYE

### ADVISOR
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**ADDIS ABABA**

# ENDORSEMENT

I confirm that the thesis entitled "Surviving International Competition: An Assessment of Determinants Affecting the Coffee Export Performance" has been supervised by me and forwarded for a defense examination.

ZEMENU AYNADIS (Asst. Prof.)

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Advisor                                                                                      Signature & Date

# DECLARATION

I, the undersigned declare that this thesis entitled "Surviving International Competition: An Assessment of Determinants Affecting the Coffee Export Performance, is my original work prepared under the guidance of Zemenu Aynadis (Asst. Prof.). All sources of materials used for the thesis have been acknowledged. I further confirm that this study has not been submitted in part or full for any degree completion to any University or Collage.

Zewoter Tesfaye                                    Signature_____

# ACKNOWLEDGEMENT

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# ABSTRACT

This study is done on Surviving International Competition: An Assessment of DETERMINANTS Affecting the Coffee Export Performance to get a better understanding of key determinants that affect the coffee export business. Both primary and secondary data source was used. Questionnaires with closed ended questions were distributed to Exporters. The target population used for this research were Marketing Managers, General Managers, Agents and Exporters. The number of people with intimate knowledge of how the export business works in a company are very few so the researcher used Census sampling method. The collected data was then analyzed by using SPSS software through descriptive analysis and multiple regression. The major findings of this research were from the chosen independent factors Market price, Capital and Global competition have a positive effect on the export performance. The major conclusion of this research were managing market price to stabilize the trade balance is an effective way to boost the export business. Additionally lending institutions could also optimize their loan processing time frame to help things move along faster.

**CHAPTER ONE**

## 1. Introduction

This chapter presents the introduction part of the study. It includes background of the study, statement of the problem, research questions, objective of the study, definitions of terms, and significance and scope of the study.

### 1.1. Background of the study

Strong export performance is one of the important factors in driving a country's economic growth, since exports can improve a firm's production efficiency to overcome higher trade barriers and address different market tastes in competitive international markets. (Kitvikai, Harvie, Charoenrat, 2012) Ethiopia's small and medium sized enterprises (Exports), however, are still not fully competitive, especially in foreign markets which require efficient production, good management structures, market capabilities, product and service development to meet international standards, high quality of labor, up-to-date technologies, consumer and environmental accountability and strong networks in conducting business operations. More importantly, the competitiveness of Ethiopia's industry, particularly Exports, has traditionally relied on low-cost labor and natural resource (raw materials) advantages rather than technological capability or qualified human capital.

One thing to always keep in mind is that the challenge in exports never lies in its volume, but in its structure. The structure should be in place to be able to absorb and adapt to the shifting factors affecting the country's balance of trade (defined by its net exports or exports minus imports). These factors include everything from political circumstances, currency exchange rates, social/consumer behavior, factor endowments (labor, capital and land), productivity, to trade policies, inflation and demand. Typically, the balance of trade serves as an indicator of the nation's health. (The Economic Times Jan, 2021)

Even though Ethiopia has improved practices and made important progress all along its coffee value chain, its coffee farmers lag behind. Improved coffee plant

varieties remain out of reach for too many farmers, the adoption of better processing techniques has been slow, and the rising potential for disease and weather shocks due to climate change is leaving farmers increasingly vulnerable. Coffee is one of the most important globally traded agricultural commodities, with consumption occurring mostly in developed countries and production in developing ones. Ethiopia is the biggest exporter of coffee in Africa, and coffee accounts for 22 percent of the country's commodity exports. In global markets, Ethiopia's Arabica coffee is valued for its unique taste. Ninety five percent of the country's coffee is cultivated by an estimated 4 million primarily smallholder, often poor, farming households. (MINTEN, 2017)

Yet despite its leading position in Africa and the positive changes made in the coffee trade in the last decade, the Ethiopian coffee sector is underperforming, according to recent research by IFPRI, the Ethiopian Development Research Institute (EDRI), and Bonn University's Institute for Food and Resource Economics. Ethiopian yields are slightly higher than those of Kenya and Rwanda, but lower than Uganda's—and only one half to one third the size of major Latin American producers. Ethiopian farmers, meanwhile, receive a smaller share of export prices compared to most other countries. (MINTEN, 2017)

## 1.2. Statement of the problem

Though Ethiopia's total exports have been growing at an average rate of 15.23 percent during the year 1970/71-2010/11, Ethiopia's export sector is still small; evidenced by the lower export/GDP ratio and the declining share of exports in import financing. (NBE, 2011). For example according to capital (2010), Exports of goods in Ethiopia are only about 7 percent of GDP, compared to an average of near 30 percent of GDP in Sub-Saharan Africa. The same source also revealed that "export levels still fall short of what is registered by comparing it with other African countries which is much smaller populations (Uganda and Tanzania both export more than $3 billion per year), and exports per person remain very low:

only $24 in Ethiopia compared to $200 in Sub-Saharan Africa and $580 in developing Asia. Growth rates are also very modest if one makes a comparison with Asian countries over a decades-long time frame. For example, Ethiopia's total exports were higher than that of Vietnam in the 1980s but are now just a tiny fraction: $2 billion in Ethiopia versus $65 billion in Vietnam" (Capital, 2010, PP 2) Similarly, the share of export in import financing (Export/Import ratio) has contracted from the 1970/71 - 1979/80 average level of 88.46 percent to 40.67 percent in 1980/81 - 1989/90 and 28.94 percent in 1990/91 - 1999/2000 and further it declined to 24.68 percent for the period 2000/01-2010 /11 on average.' With regard to share of world export, Ethiopia's share in total world exports is still very low, amounting to 0.01 % in 2010 (WTO, 2011).

In addition to the government's effort to increase the country's foreign exchange earnings by boosting the country's export performance and hence economic growth, pursuing concrete policy measures and incentive schemes, it still calls for specific case studies concerned with systematic identification of factors constraining export growth. Thus identifying and examining those factors that significantly affect Ethiopia's export performance so as to take corrective actions helps us to know what explains variation in Ethiopian export performance that should facilitate the design of policies to improve the performance and ultimately overall economic growth. Hence, issues addressed in this study includes quantifying the performance of export and understanding the determinants of export performance; which motivated the present study by incorporating demand and supply side factors so as to identify possible policy intervention areas for export growth.

### 1.3. Research Questions

- How much does foreign price affect coffee exporting performance?
- How much does product quality affect coffee exporting performance?
- How much does capital affect coffee exporting performance?
- How much does export knowledge affect coffee exporting performance?

- How much does global competition affect coffee exporting performance?

## 1.4. Objective of the study

### 1.4.1. General objectives of the study

The general objective of this study is to investigate the factors that affecting the coffee exporting business in Addis Ababa.

### 1.4.2. Specific objectives of the study

The specific objectives are: -

- ➢ To describe how much *foreign price* affects the coffee exporting performance.
- ➢ To describe how much *product quality* affects the performance of the coffee exporting performance.
- ➢ To describe how much *capital* affects the coffee exporting performance.
- ➢ To describe how much *export knowledge* affects the coffee exporting performance.
- ➢ To describe how much *global competition* affects the performance of the coffee exporting performance.

## 1.5. Significance of the study

Export is incredibly important to modern economies because it offers people and firms many markets for their goods to be exported on. One of the core functions of diplomacy and foreign policy between governments is to foster economic trade, encouraging exports and imports for the benefit of all trading parties. This research provides the following benefits to the below parties.

Knowing the factors that affect the coffee exporting business helps different branches of government to take the necessary actions to improve on and allows the sector to blossom further. Another party that can benefit from this research is other exporters that operate in coffee exporting sector. The information gathered and processed will enable them to have a better understanding of the factors that affect their business and take measures that can enable them to get

better results both in the volume and the quality of goods they export. In conjunction with exporters, farmers and wholesalers will also benefit from this research as this research will show them the problem areas that have been a hindrance to their business. Lastly academic researchers who may choose to do a research work on this particular topic or a similar one will find this research helpful. This research will provide information and can be used as a stepping stone to do further research.

## 1.6. Scope and limitation of the study

### 1.6.1. Scope of the study

#### 1.6.1.1. Geographical scope

This research was conducted in Addis Ababa and the study is restricted to factors affecting the coffee exporting business in the indicated specific geographic location.

#### 1.6.1.2. Conceptual scope

This study was conducted to analyze the determinants of coffee export performance in Addis Ababa. In this study, the relevant internal determinants such product quality, capital, export knowledge and external determinants like market price and global competition support were examined based on the construct research conceptual framework. Other determinants of export performance each category were excluded from this study.

#### 1.6.1.3. Methodological scope

This research uses information from limited sample size of Marketing Managers, General Managers and Commercial Managers involved in exporting coffee. The research used explanatory research design to analyze the data collected.

### 1.6.2. Limitation of the study

The findings of this study are not based entirely upon the research conducted among the respondent across the country's coffee exporters. Hence, it may not be representative of the whole exporting business in Ethiopia. This study does

not entirely combine political, cultural and social dimensions for the study. Even if these dimensions help to explain factors affecting the exporting business, this study selected suitable variables that determine the most appropriate factors that will best explain what issues are affecting the business. As a result, it is imperative for readers to use basic factors in conjunction with and part of political, cultural and social analyses. In addition, this research is limited because of the current COVID-19 pandemic the world is facing.

## 1.7. Organization of the study

This study is organized in five chapters. The first chapter will consist of the background and statement of the problem along with objective, significance, limitation and scope of the study. The next chapter will include literature review which is organized by theoretical concepts as well as and empirical literature reviews focused consumer behavior and the like. The third chapter will include methods of the study and it comprise from study approach and design including sampling methods, population, analysis method and ethical consideration. The fourth chapter of this study will focus on analysis part of the study that include empirical testing and discussion of the study. Finally, recommendation, summary and conclusion of this study will be followed.

## 1.8. Definition of key terms

- ➢ **Export:** send (goods or services) to another country for sale.
- ➢ **Export Performance:** is the relative success or failure of the efforts of a firm or nation to sell domestically-produced goods and services in other nations.
- ➢ **Market Price:** The market price is the current price at which an asset or service can be bought or sold. The market price of an asset or service is

determined by the forces of supply and demand. The price at which quantity supplied equals quantity demanded is the market price.

➢ **Product Quality:** refers to how well a product satisfies customer needs, serves its purpose and meets industry standards. When evaluating product quality, businesses consider several key factors, including whether a product solves a problem, works efficiently or suits customers' purposes.

➢ **Global Competition:** is the services or products provided by competing companies that serve international customers.

➢ **Capital:** is a broad term that can describe anything that confers value or benefit to its owner, such as a factory and its machinery, intellectual property like patents, or the financial assets of a business or an individual. While money itself may be construed as capital is, capital is more often associated with cash that is being put to work for productive or investment purposes.

➢ **Export Knowledge:** is high level understanding that arises from the combination of data, information and experience.

# CHAPTER TWO

## 2. Literature review

### 2.1. Empirical review

Different studies have been conducted by different people to analyze the determinants of exports and to analyze their impact on export performance. Export demand functions at the aggregate level, specified as a function of relative export price and real income of importing countries, has been employed in econometric modeling of export performance and the functions has been estimated in log-linear form using ordinary Least Squares Method. Such an approach was, however, challenged by some empirical researchers such as Goldestein and Khan (1985), Prasad (1992), Goldar (1989), who maintained that the supply-side should also be taken in to account as there exist a simultaneous relationship between quantities and prices. For example Riedel (1988) argues that the typical demand function of exports yields biased estimates of the parameters if the supply side variables are not taken into account. Thus, ideally, export equation should be estimated simultaneously. However, such an approach tends to be constrained by data availability.

Therefore, to account for such simultaneity, a number of empirical studies in this research area (e.g., Goldstein and Khan 1985, Bushe et al. (1986), Arndt and Huemer 2004, Athukorala 2004, Prasad (1992) examine export behavior using a single equation approach where both demand and supply equations are solved together to yield an expression for the equilibrium volume of exports. That is the model is derived from the conventional equations of demand for and supply of exports. Similarly, many studies have included demand-side and supply-side determinants of export performance in the same regression equation. For instance, Beng (1992) for exports of manufactures from Malaysia and Goldar (1989) for exports of engineering products from India have specified a reduced form equation for export behavior incorporating both demand and supply side factors in a single regression equation.

This latter model is termed as export function or export determination model because it is neither an export demand function nor an export supply function. Different studies used the imperfect substitution model proposed by Goldstein and Khan (1985) to analyze the determinants of countries export performance. For example Munoz (2006) analyze the impact of parallel market and governance factors on Zimbabwe's export performance using quarterly data and found positive and significant relationship between exchange rate and export.

Similarly, on a study made on the factors affecting export performance in three different export categories; total merchandize exports, manufacturing exports and exports of machinery and equipment on nine East & South East Asian countries by Jongwanich (2007) using quarterly data and Imperfect Substitutions Model, Results found from the long run equation reveal that real exchange rate to have different elasticities in the three export categories, it was found to have highest elasticity for merchandise export while lowest elasticity for exports of machinery and transport equipment's. Real exchange rate impact also varies among the nine countries, it was found to have lowest elasticity for Philippines while the largest elasticity for Indonesia. Contrary to real exchange rate influences, world demand was found to have highest impact for exports of machinery and transport equipment and lowest impact for merchandize export. World demand as determinants of countries' export has been significant, but it was found to be insignificant for Indonesia's export in all the three categories. The coefficient of world demand was highly elastic for China, more than 1, but less than 1 for the other countries in the group (ibid). The same study also revealed that, production capacity was found to affect positively & significantly all countries exports in all categories with elasticities nearly above 1 in all cases. Recent studies on export have been focused on the role of trade facilitation reforms on export performance. A study made by Portuga-Perez and S.Wilson (2010) tried to analyze the role of hard infrastructure (roads, ports, airports, rail infrastructure and information communications technology) and soft

infrastructure (efficiency of customs and domestic transport and business regulatory measures and transparency) on export performance of 101 countries during 2004 -07. The results from their study revealed that an improvement in hard and soft infrastructure leads to more exports which ensure that investments on physical infrastructure have a positive impact on exports, but declining as per capita income increases, on the contrary investments in ICT and soft infrastructures were found to have more impact on richer countries.

More generally, those factors that can potentially influence export performance of a country vary from one country to another. (UNCTAD, 2005 and 2007 Bacchetta, (2007) as cited in yishak (2009) have categorized determinants of a country's export performance into two major factors: internal supply and external market conditions. The fundamental thing in defining the export potential of an economy needs understanding the supply conditions of that economy. According to Biggs, (2007) export supply constraints should consider traditional export supply on one hand and on the other hand shifting resources into new export activities. Regarding domestic transport infrastructure, infrastructure development is a key element of a countries' ability to produce and move goods. It is one of the major factors affecting export supply capacity of a nation. Most African countries are characterized by poor transport infrastructure, which is a major impediment to trade, competitiveness and sustainable development (UNCTAD, 2005; Bacchetta, 2007), and this isolates countries, hinders their involvement in international market (Limao and Venables, 2000). Infrastructure conditions in SSA have a significant effect on the ability of firms to produce and export goods and services competitively USITC (2009). Therefore, an improvement in transportation services and infrastructure is indispensable which can lead to improvements in export performance (Fugazza, 2004; Edwards and Odendaal, 2008). Fugazza (2004) found that the internal transport infrastructure has a significant and positive impact in raising exports.

The role of financial development on export has been discussed by many authors as a supply side determinant. Empirical literatures like Berman and Hericourt (2008) tried to study the role of financial development on export. Using a large cross-country firm level database in developing and emerging economies, they found that financial constraints create a disconnection between firms' productivity and their export status. These two authors conclude that an increase in a country's financial development increases the number of exporters and hence countries overall export performance. Manova (2008) also developed a model to explain the role of financial development on trade flow with countries at different levels of financial development, credit constrained heterogeneous firms, and sectors of varying financial vulnerability. The author showed that financially developed countries are more likely to export more. The other variable that affects export is exchange rate which affects export supply capacity or export demand decision. The real exchange rate can be an important variable III determining export growth, diversification and international competitiveness of goods produced in a country (UNCTAD, 2005).

There are different empirical evidences that prove significant relationship between real exchange rate and export performance; for example it has been proven that the real exchange rate has a significant effect on a country's export performance (Mouna and Reza, 2001). While appreciation of the real exchange rate affects exports negatively (Edwards and Alves, 2005; Morrissey and Mold, 2007), depreciation affects exports positively (Mauna and Reza, 2001; Edwards and Alves, 2005). On the other hand, some studies indicate that the effect of exchange rate on export is negative. For example in estimating the relationship between exchange rate and export competiveness for Singapore which may have more relevant for small economies whose export have highly dependent on raw materials and intermediate goods from abroad, Telak and Yeok (1998) showed that in the presence of high import content, export is not adversely affected by currency appreciation. Their justification for this result is in the presence of high

import content appreciation results lower import price which in turn reduce cost of export. Similar result was found by Fang and Miller, (2004) but for different reason. They tried to show currency depreciation doesn't improve export rather it results exchange rate risk (generated by fluctuations) which significantly impedes export. The other factor affecting export performance is degree of openness to trade. Opening economic policies to trade with the rest of the world is needed for export and economic growth. This is because in recent decades there is no country achieving economic success in terms of substantial increases in living standards for its people without liberalizing itself to the rest of the world. Trade liberalization has generally taken place in LDCs as part of the structural adjustment program (Yared, 2010). Trade liberalization implies considerable reduction in tariff and non-tariff barriers, so as to establish a noticeable open market as compared with the pre- liberalization era. The empirical researches focusing on the impact of trade liberalization (openness) on export earnings have exhibited positive results. For example literatures show that countries which get on liberalization programs have improved their export earnings (Ahmed, 2000; Thomas et al., 1991; and Santos-Paulino, 2000). Similarly, Seyyed et. al (2011), using panel data evidence for 19 countries found that open trade policy enhance GDP and export growth. Using these results clearly prefer open trade policy over more trade barrier which enhance GDP and export growth. Conversely, Giovani and Levencko, (2006) argue that increased trade openness has contributed to rising uncertainty and exposed countries to external shocks and hence, adversely affects country's export.

### 2.1.1. Hypothesis

H1: *Market price* does not affect the coffee exporting performance.

H2: *Product quality* does not affect the coffee exporting performance.

H3: *Capital* does not affect the coffee exporting performance.

H4: *Export knowledge* does not affect the coffee exporting performance.

H5: G*lobal competition* does not affect the coffee exporting performance.

## 2.2. Factors affecting coffee export business

A number of studies (Kumar and Ali, 2011; Abdolvand et al., 2016; Chen et al., 2016) have been conducted to determine the antecedents of export performance. Maurel (2009) categorized the antecedents of export performance as internal variables and external variables. Internal variables include the firm's characteristics which include firm size, export experience, product diversification offer; management characteristics such as export orientation and entrepreneurship; technological resources such as innovation and creativity are also considered; and export strategy which include marketing strategy, relationship with partners, product adaptation, geographical diversification or concentration and niche strategy. On the other hand, external antecedents include those that relate to environment such as legal environment, cultural environment and financial environment. Furthermore, industrial export determinants are also a key driver in determining export performance and these include concentration, export barriers and clusters respectively (Maurel, 2009).

### 2.2.1. Internal Influences: Product Quality, Capital & Export Knowledge

#### 2.2.1.1. Product Quality

Product quality is defined as perceived superiority or excellence in a product as compared with competing alternatives from the perspective of the marketplace (Hollensen, 2007). It is important to understand how specific dimensions of the superiority of a product should be evaluated. Garvin (1984) presented many dimensions of product quality; five of these dimensions would be useful in developing a definition of product quality applicable to durable and nondurable products. These five dimensions are aesthetics, performance, durability,

workmanship and perceived quality. The product characteristics that affect the export market of SMEs in developing countries can be divided into quality and technical adaptability. These product attributes of a firm can influence the source of competitive advantage (Day and Wensley, 1988), which affects the choice of an offensive or defensive strategy (Cook, 1983). Some relevant product characteristics that affect export market are; export product design, quality, style, product adaptation or modification and packaging and labeling requirements (Keng and Jiuan, 1989). Product quality signify as one of the most crucial situations for entering and remaining in the international markets. It concerns packaging, meeting importers quality standards and establishing proper design and image for export markets (Christensen and Rocha, 1994). The competitive ability of the company in the market largely determines the level of the quality of the product, regardless of whether it is being produced for the already familiar or unfamiliar buyer. Garvin (1984) argued that improvements in performance, features or other dimensions of quality lead to increased sales and large market share as the result increased the export performance of the firms.

### 2.2.1.2. Capital

Capital resources as defined by Morgan and Hunt (1999) are that the firm has at its disposal. A strong financial capability is one of the means to secure price advantage in the segmented market of SMEs in developing countries. However, several SMEs in developing nations run into dilemmas for lack of timely and ample working capital, which add costs and put in danger the whole production operation (Cardoso, 1980; Kaleka and Katsikeas, 1995; Dicle, 1992 and Bodur, 1986). Involvement in export activities requires huge expenditures in research overseas markets, visiting foreign customers, adapting the export marketing strategy etc. (Al-Hyari et al., 2012), which creates financial burdens for the SMEs in developing nations, especially if they already strained financially because of domestic business problems. Sufficient capital therefore facilitates the necessary response to export markets by allowing the firm the resources to innovate and

change according to changing environmental conditions (Lee and Pennings, 2001; Wiklund, 1999).

### 2.2.1.3. Export Knowledge

Export knowledge: is considered to be an outcome of the use of export market information. With respect to the knowledge assets concept, export knowledge could be defined as the firm-specific resources that are indispensable for creating value for the export firm (Toften, 2005). It provided competitive advantage, which is the cornerstone of export strategy; so lack of appropriate knowledge about export markets and activities weaken the competitiveness of firms in foreign markets. In order to develop strategies for achieving competitive advantage, export managers need to obtain information about their export market and enhance the knowledge applied to export market development (Gencturk and Kotabe, 2001). Marketing knowledge and information are one of the most significant sources that enable exporting firms to be successful. Albaum, Strandskov and Duerr (1998) explained that market opportunities abroad might use strong pressure upon a firm's willingness to begin and expand exports.

### 2.2.2. External Factors: Market Price & Global Competition

### 2.2.2.1. Market Price

The price of exports on the international market is one of the major determinants of export growth especially for countries which depend on the exportation of agricultural products whose prices fluctuate from time to time. A study in South Africa by Edwards and Golub (2004) found that Market prices have a strong impact on manufacturing sector's export growth. They used time series data and got a significant positive coefficient of Market prices. A similar study in Sub Saharan African countries by Rafik and Svedberg (1990) also revealed that protection in form of export quotas and price decline of primary commodities

accounted for one third of the total world market share loss by Sub Saharan Africa.

In the same way Ndulu and Lumumba (1990) who while studying opportunities and constraints to trade and their influence on growth and development of African economies, discovered that Market prices of primary commodities significantly affect the export performance of country's involved in their production. In summary, when we see the empirical review of different studies conduct on different times in developing countries there have been glaring contradictions on the determinants of export growth rate and in addition to this a lot of changes are occur in the overall the economy in the recent years so this initiated the researcher to conduct a further research to identify plausible determinants of export growth rate so that information is provided to the concerned authorities hence leading to the formulation of corrective policies to address the problem.

### 2.2.2.2. Global Competition

Global market competition refers to the intensity of competition and the extent to which businesses strive to outdo others to gain economic rents (Cavusgil et al., 1993). Competition greatly affects firms' performance. In the face of competition firms tend to react differently. Some may downsize, others may exit the market and then some firms may adopt survival tactics in order to remain in business. The higher the intense of competition in a foreign market, the more a company will have to adapt their export marketing mix strategies (Jain, 1989). In addition, the level of competition in the foreign market and the degree of customer familiarity with the product influences the firm's choice of export marketing mix strategy and performance (O'Cass and Julian, 2003).

Competitive pressures, therefore, can force firms to reduce their prices or adapt products to meet the specific needs of a particular export market (Katsikeas et

al., 2006). Cavusgil and Zou (1994) demonstrated that the level of competition affects the levels of product and promotion adaptation. As competition increases, firms are forced to adapt strategies to distinguish their products and gain a competitive advantage over other firms (Lages and Montgomery, 2001). Competition greatly affects firms' performance. In the face of competition firms tend to react differently. Some may downsize, others may exit the market and then some firms may adopt survival tactics in order to remain in business. Strong competition in the domestic market propels firms to be more productive and rising domestic competition increases firms' propensity to export. However, firms' export intensity, i.e. how much they export, is not directly influenced by competition in the domestic market. Moreover, lower competition in the foreign market increases the propensity of domestic firms to export, enlarging the set of exporting firms to firms with relatively smaller export amount.

### 2.2.2.3. Export Performance

The success of a company in export can be assessed by its export performance (Navaro et al., 2010). Achievement to the company's goal when products are exported to foreign markets is called export performance (Cavusgil and Zou, 1994). Export performance including indexes such as exports sales growth, export profitability, export intensity, achievement expectations, assesses competitors Export performance has been conceptually defined as the outcome of a firm's activity in an export market (Toften and Olsen, 2003). There seems to be general agreement that export performance is a multi-dimensional construct and comprises export effectiveness, export efficiency and adaptiveness (Aaby and Slater ,1989). Effectiveness is defined in terms of a business's products and programs relative to competitors and can be measured by indicators such as growth in export sales (Gencturk and Kotabe, 2001). Secondly, efficiency is where profitability is considered to be the key measure and is reflected by the perceived profitability of the export activities, or the ratio of performance outcomes to the inputs required achieving them (Aaby and Slater, 1989; Katsikeas, Leonidou and

Morgan, 2000). Finally, the third dimension, adaptability is how the business responds to changing conditions and opportunities in the marketplace and therefore more strategic in nature (Toften and Olsen, 2003). Cavusgil and Zou (1994) define export performance as the extent to which a firm's objectives, both economic and strategic with respect to exporting a product into a foreign market are achieved through planning and execution of export marketing strategy. This definition compares well with Shoham (1998) notion of export performance as a composite outcome of a firm's international sales. Tonesakulrungruang (2009), consistent with previous scholars, described export performance as the extent to which a firm's objectives are attained in foreign markets because of specific orientations and strategies. An overview of the relevant literature implies that a conceptually sound and reliable export performance measure include both objective and subjective measures The objective measure refers to the type of values used in the export performance assessment, i.e., objective indicators are mainly based on absolute values (e.g. export sales volume, export profit margin, export market share, etc.) while subjective indicators are based on perceptual values (e.g. the manager's perception of success and satisfaction with export sales) (Sousa, 2004). In general, measures of export performance are usually categorized in two broad groups: financial/economic and non-financial/non-economic measures (Elena Beleska-Spasova, 2014).

## 2.3. Conceptual framework

**INDEPENDENT VARIABLES**

| Market Price |
| --- |

**DEPENDENT VARIABLE**

| Product Quality |
| --- |

| Capital |
| --- |

| Export Performance |
| --- |

| Export Knowledge |
| --- |

| Global Competition |
| --- |
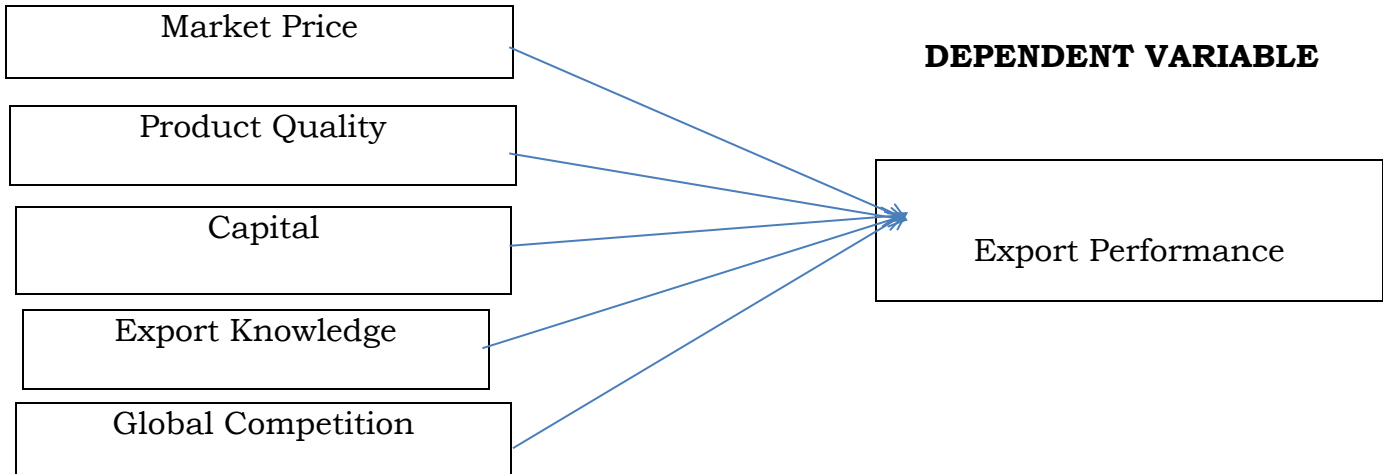
**Figure 1 Conceptual Framework adapted from (Mengistu Gebrehiwot, 2019) and (Antigegn Kebede, 2019)**

**CHAPTER THREE**

### 3. Research Methodology

#### 3.1. Research design

Research design refers to the overall strategy utilized to carry out research that defines a succinct and logical plan to tackle established research question(s) through the collection, interpretation, analysis, and discussion of data. The methodologies and methods incorporated in the design of a research study will depend on the standpoint of the researcher over their beliefs in the nature of knowledge and reality, often shaped by the disciplinary areas the researcher belongs to.

The design of a study defines the study type (descriptive, correlational, semi-experimental, experimental, review, meta-analytic) and sub-type (e.g., descriptive-longitudinal case study), research problem, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. A research design is a framework that has been created to find answers to research questions.

For this research, the researcher has chosen to use explanatory research design as it will allow the researcher to explain the relationship between the independent and dependent variables. The rationale is explanatory research design is used to show and explain causal relationships between different variables.

#### 3.2. Research approach

Research approaches are divided in to three: (a) qualitative, (b) quantitative, and (c) mixed methods. Unquestionably, the three approaches are not as discrete as they first appear. Qualitative and quantitative approaches should not be viewed as rigid, distinct categories, polar opposites, or dichotomies. Instead, they represent different ends on a continuum (Newman & Benz, 1998). A study tends to be more qualitative than quantitative or vice versa. Mixed methods research

resides in the middle of this continuum because it incorporates elements of both qualitative and quantitative approaches.

Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting, data analysis inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data. The final written report has a flexible structure.

Quantitative research is an approach for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. The final written report has a set structure consisting of introduction, literature and theory, methods, results, and discussion.

Mixed methods research is an approach to inquiry involving collecting both quantitative and qualitative data, integrating the two forms of data, and using distinct designs that may involve philosophical assumptions and theoretical frameworks. The core assumption of this form of inquiry is that the combination of qualitative and quantitative approaches provides a more complete understanding of a research problem than either approach alone. Based on the above descriptions the researcher used both qualitative and quantitative research approaches to analyze the collected data.

In this research the quantitative research approach used was the Likert scale with questionnaire that was distributed. Quantitative approach is the best method for analyzing the data collected through the questionnaire.

### 3.3. Data source and type

This research used both primary and secondary data sources. The primary data sources were Exporters, Agents, Marketing Managers, Commercial Managers, and General Managers of different coffee exporting companies based in Addis Ababa. The data was collected through questionnaires. Questionnaire was

adopted from a research paper with similar field of study and was given for the selected coffee exporters. Structured questionnaires were given to the exporters in order to get the best possible answers to the factors affecting the coffee exporting business. The major secondary data sources were articles, journals, reports, and websites… were cited for the reviewing related literatures.

### 3.4. **Population and sampling**

#### 3.4.1. **Target population**

Target population is a comprehensive group of individuals, institutions, objects and so forth who have adequate knowledge of the subject matter and are willing to give this knowledge in order to help the researcher get a better understanding of the topic under study. The target population for this research were individuals involved in the export business. This includes Exporters, General Managers, Marketing Managers, CEO's and Agents of coffee export business found in Addis Ababa. Based on this the researcher has chosen to use Census sampling method to determine the number of people who will receive the questionnaire. The rationale behind this is in a given coffee export company there are very few people with intimate knowledge of how the business works so including as many people as possible is necessary.

#### 3.4.2. Data Collection Instrument

**Questionnaire**

A questionnaire was adopted consisting of two parts. Part one contained questions about the respondent's profile and part two consisted of five dimensions, 29 statements with a five-point Likert scale ranging from 5 (strongly agree) to 1 (strongly disagree). The questionnaire was written in English.

### 3.5. **Methods of data analysis**

Once the usable response from the questionnaire was collected, the data was recorded and coded into SPSS software. After the collection process of relevant

data was completed; both quantitative and qualitative methods of data analysis were used. The analysis indicates transformation of raw data in to a form that makes it interesting and easy to understand. First, the empirical data was analyzed by descriptive statistics (frequency, mean and standard deviation). Next, the data was analyzed using statistical techniques of correlation analysis as the study used likert scale, Persons correlation was used. In addition, multiple regression analysis was used. Multiple regression is an extension of simple linear regression. It is used when we want to predict the value of a variable based on the value of two or more other variables. The variable we want to predict is called the dependent variable (or sometimes, the outcome, target or criterion variable). The variables we are using to predict the value of the dependent variable are called the independent variables (or sometimes, the predictor, explanatory or regressor variables). The goal of multiple linear regression (MLR) is to model the linear relationship between the explanatory (independent) variables and response (dependent) variable.

$$y = mx1 + mx2 + mx3 + mx4 + mx5 + b$$

Where,

Y= the dependent variable of the regression

M= slope of the regression

X1= Market Price

X2= Product Quality

X3= Capital

X4= Export Knowledge

X5= Global Cometition

B= constant

In a regression context, the slope is the heart and soul of the equation because it tells you how much you can expect Y to change as X increases. In general, the units for slope are the units of the Y variable per units of the X variable. It's a ratio of change in Y per change in X.

### 3.6. Validity and reliability

#### 3.6.1. Validity

Validity refers to how accurately a method measures what it is intended to measure. If research has high validity that means it produces results that correspond to real properties, characteristics, and variations in the physical or social world. (Fiona Middleton 2020.) In order to ensure the validity of the questionnaire used in this research a pilot test on a sub set of the population was conducted. This included people who have moderate to extensive knowledge of the subject matter. The pilot test was conducted on 20 people and they believe the questionnaire is easy to understand and had covered the subject matter well.

#### 3.6.2. Reliability

Reliability refers to how consistently a method measure something. If the same result can be consistently achieved by using the same methods under the same circumstances, the measurement is considered reliable. Reliability test was done during the pilot test and the responses from the respondents in the pilot test was run through the SPSS program to see if the questionnaire is reliable.

### 3.7. Ethical consideration

This study like other academic researches abides by ethical issues, moral conducts and service confidentiality to the dairy's data and for the privacy of respondents. The questionnaire was designed out in such a way that respondents are not required to write their names and/or reveal their personal information on the questionnaire and the confidentiality of data being collected is handled with due care and used for academic purpose only. Every person involved in the study was entitled to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. Information obtained was held in

strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information was drawn is acknowledged.

## Chapter Four: Data Analysis and Interpretation

## 4.1 Introduction

In this section, the data that were composed through the structured questionnaire were summarized and analyzed in order to understand the ultimate objective of the study. This chapter contained the data presentation, breakdown and discussion of the sample population based on the primary data collected. The demographic facts obtained from the respondents were summarized using frequency allocation, and percentage. Scale typed questionnaires were analyzed by using descriptive statistics. A total of 54 questionnaires were distributed, all of them were returned back to the researcher thus providing full response rate.

## 4.2 Demographic Profile of Respondents

Table 4.1: Respondents Demographic Profile

| Demographic Profile | | Frequency | Percent | Valid Percent | CumPercent |
|---|---|---|---|---|---|
| Gender | Male | 47 | 86.2 | 86.2 | 86.2 |
| | Female | 13 | 13.8 | 13.8 | 100.0 |
| Age Groups | 26 - 35 years | 10 | 18.6 | 18.6 | 20.4 |
| | 36 - 45 years | 15 | 27.8 | 27.8 | 46.3 |
| | 46 - 55 years | 19 | 35.2 | 35.2 | 53.7 |

|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
|  | Above 56 years | 10 | 18.5 | 18.5 | 72.2 |
| Education Level | Degree | 37 | 68.5 | 68.5 | 72.2 |
|  | Masters | 14 | 25.9 | 25.9 | 94.4 |
|  | PhD | 3 | 5.6 | 5.6 | 100.0 |
| Respondent's Experience | Less than 2 years | 18 | 32.5 | 32.5 | 32.5 |
|  | 2 - 5 years | 24 | 45.0 | 45.0 | 77.5 |
|  | 6 - 10 years | 8 | 15.0 | 15.0 | 92.5 |
|  | Above 10 years | 4 | 7.5 | 7.5 | 100.0 |

Source: Own Survey, 2021

The above table shows the descriptive Statistical investigation of the respondents' demography. It displays succinct descriptive coefficients that summarize a given data set, which can be either a representation of the complete or a sample of a population. Descriptive statistics are broken down into measures of central tendency and measures of variability (spread). This segment nears the descriptive statistics of the data regarded.

### 4.2.1 Gender Distribution of Respondents

The table above shows the proportions regarding gender is evenly distributed. The female respondents constituted the smallest share of the gender composition

representing 13.8%, while 86.2% were male, as shown on table 4.1 above. This shows the coffee export business is dominated mainly by men.

### 4.2.2 Age Group of Respondents

Regarding age group, respondents in the age between 46 -55 years amounted to 35.2% of the total respondents, while the 36 - 45 years were 27.8% respondents above years of 56 were 18.5%, while 26 - 35 years respondents were 16.7% respondents less than the age of 25 years 1.9% respectively. Based on the above table it can be said that most people go into the export business as they mature and get older so they would have the required experience.

### 4.2.3 Educational Level of the Respondents

Regarding the academic level of the respondents, respondents with diploma level amounted to 3.7%, while 5.6% of the total respondents had PhD academic level. While 64.8% of the sampled respondents had a degree, 25.9% of the respondent had a Master's degree. This also shows that most respondents' have their first degree.

### 4.2.4 Years of Experience of Respondents

Regarding work experience, respondents in the 2 - 5 years of experience were constituting 45% of the total respondents, while the respondents with less than 2years of experience were 32.5%. Respondents 6 - 10 years of experience were 15% of the respondents. Respondents above 10 years' experience were 7.5% of the respondents.

### 4.3 Factors Affecting Coffee Export Performance

### 4.3.1. Market price

The following table presents the questionnaire questions regarding Market price. The following were statements about Market price related data collected by the researcher.

- All terms in the contract agreement are clear

- Detail specification and design are included in the contract document

- Neutrality was seen that full project timeline is included in the contract document and comprehensive payment term is included in the contract.

- Some terms in the contract agreement are complete

Respondents gave their response to the following Market price related statements on the questions of agreement or disagreement, the mean of the respondent

Table 4.2: Market price

|  | N | Min | Max | Mean | Std. Dev. |
|---|---|---|---|---|---|
| Foreign transactions profitable. | 54 | 2.00 | 5.00 | 3.77 | .54 |
| Foreign competitors in this export market can decide foreign price level. | 54 | 1.00 | 5.00 | 3.85 | 1.17 |
| Allows exporters to open a retention account to hold a specified amount | 54 | 1.00 | 5.00 | 3.55 | 1.15 |

Source: Own Survey, 2021

Most respondents agreed that compared to domestic sales, your foreign transactions are generally much more profitable; it also draws some conclusion to decide the issue in regards to agreement and disagreement. Looking to the standard deviation, 0.54 implies that the answers of the respondents were narrowly distributed with in this value apart from the mean, thus the answers are highly concentrated around the mean, 3.77.

Most respondents agreed that the extent of foreign competitors in this export market can decide foreign price level. Also by drawing some ambiguity to decide the issue in regards to agreement and disagreement. Looking to the standard deviation, 1.17 implies that the answers of the respondents were distributed in average with in this value apart from the mean, thus the answers are moderately concentrated around the mean, 3.85.

As the mean value of 3.55 shows, respondents were slightly agreeing that allows exporters to open a retention account to hold a specified amount of their export earnings for a defined period and use their forex holdings for their export business promotion. Looking to the standard deviations, 1.15 implies that the answers of the respondents were less distributed with this value from the mean, thus the answers are concentrated around the mean.

### 4.3.2. Product Quality

Table 4.3: Product Quality

|  | N | Min | Max | Mean | Std. Dev. |
|---|---|---|---|---|---|
| Exporters have enough knowledge on quality standards | 54 | 1.00 | 5.00 | 3.83 | .92 |
| Your firm produces according to customers specifications. | 54 | 2.00 | 5.00 | 4.02 | 1.10 |
| Your firm faced problems to comply with customers' request. | 54 | 1.00 | 5.00 | 2.69 | .96 |
| Your firm offered Range of quality products to export market. | 54 | 1.00 | 5.00 | 3.79 | .98 |

| | | | | | |
|---|---|---|---|---|---|
| Convenient quality assurance processes in Ethiopia | 54 | 1.00 | 5.00 | 3.26 | 1.12 |
| In Ethiopia there is fair cost paid for quality testing and certification. | 54 | 1.00 | 5.00 | 3.21 | 1.32 |

Source: Own Survey, 2021

Table 4.3 the product quality, the respondents responded with agreement for the measure statements of product quality. For the statement "The project scope was clearly defined in the beginning" the mean value 3.77 shows that most of the respondents agreed to the statement. The low standard deviation (.92) shows the respondents' response was concentrated around the mean. This implies exporters have enough knowledge on quality standards of exported coffee performance.

As the mean value of 4.02 shows, respondents were slightly agreeing that the firm produces according to customers specifications. Looking to the standard deviations, 1.10 implies that the answers of the respondents were less distributed with this value from the mean, thus the answers are concentrated around the mean.

As the mean value of 2.69 shows, respondents were slightly disagreeing that most of the time your firm faced problems to comply with customers' request. Looking to the standard deviations, .96 implies that the answers of the respondents were less distributed with this value from the mean, thus the answers are concentrated around the mean.

As the mean value of 3.79 shows, respondents were slightly agreeing that their firm offered Range of quality products to export market. Looking to the standard deviations, .98 implies that the answers of the respondents were less distributed

with this value from the mean, thus the answers are concentrated around the mean.

Most respondents slightly agreed that there are convenient quality assurance processes in Ethiopia, which help to enhance export performance; it also draws some conclusion to decide the issue in regards to agreement and disagreement. Looking to the standard deviation, 0.54 implies that the answers of the respondents were narrowly distributed with in this value apart from the mean, thus the answers are highly concentrated around the mean, 3.26.

On the final statement most of the respondents were in very slight agreement that in Ethiopia there is fair cost paid for quality testing and certification with a mean value of 3.21. The standard deviation of the responses were .84.

### 4.3.3. Capital

Table 4.4: Capital

| | N | Min | Max | Mean | Std. Dev. |
|---|---|---|---|---|---|
| Difficulty in timely obtaining working capital. | 54 | 1.00 | 5.00 | 3.49 | .86 |
| Collateral requirement from lending institutions is a serious constraint. | 54 | 1.00 | 5.00 | 3.45 | 1.03 |
| Loan processing procedures are too complicated. | 54 | 1.00 | 5.00 | 3.66 | .68 |
| Costs of loans for export finance are high. | 54 | 1.00 | 5.00 | 3.81 | .96 |

Source: Own Survey, 2021

Table 4.4 shows the Capital related statements, the respondents responded with neutrality and slight disagreement for the measure statements of Capital.

Regarding capital, respondents slightly agreed to the statement "There is difficulty in timely obtaining working capital or foreign currency from financial institutions" with the mean value 3.49. This shows that most of the respondents slightly agreed to the statement. The moderate standard deviation (.86) shows the respondents response was moderately concentrated around the mean. This implies it can be concluded that there is difficulty in timely obtaining working capital or foreign currency from financial institutions.

For the statement "The collateral requirement from lending institutions is a serious constraint for the industry" the mean value 3.45 shows that most of the respondents agreed to the statement. The high standard deviation (1.03) shows the respondents response was highly deviated from the mean. This implies the collateral requirement from lending institutions is a serious constraint for the industry.

For the statement "Loan processing procedures of banks and other lending institutions are too complicated and time consuming" the mean value 3.66 shows that most of the respondents agreed to the statement. The low standard deviation (.68) shows the respondents' response was concentrated around the mean. This implies anything conclusive that previous work quality of subcontractor has been evaluated well.

Most respondents agreed that the costs of loans for export finance are high for your firm; it also draws some conclusion to decide the issue in regards to agreement and disagreement. Looking to the standard deviation, 0.96 implies that the answers of the respondents were narrowly distributed with in this value apart from the mean, thus the answers are highly concentrated around the mean, 3.81.

### 4.3.4. Export Knowledge

Table 4.5: Export knowledge

| | N | Min | Max | Mean | Std. Dev. |
|---|---|---|---|---|---|
| Company has updated customer information. | 54 | 1.00 | 5.00 | 3.85 | .76 |
| Company has current market information. | 54 | 1.00 | 5.00 | 3.68 | 1.13 |
| Company has current Competitor information in international market. | 54 | 1.00 | 5.00 | 3.91 | .78 |
| Company has Supply chain channels information. | 54 | 2.00 | 5.00 | 3.58 | .86 |

Source: Own Survey, 2021

Table 4.5shows the export knowledge related statements, the respondents responded with neutrality and slight disagreement for the measure statements of export knowledge.

Respondents agreed to the statement "The Company has updated customer information" with the mean value 3.85. This shows that most of the respondents agreed to the statement. The moderate standard deviation (.76) shows the respondents' response was moderately concentrated around the mean. This implies it can be concluded that the company has fairly updated customer information.

For the statement "The Company has current market information" the mean value 3.68 shows that most of the respondents agreed to the statement. The high

standard deviation (1.13) shows the respondents response was highly deviated from the mean. This implies the Company has current market information.

For the statement "the company has current Competitor information in international market" the mean value 3.91 shows that most of the respondents agreed to the statement. The low standard deviation (.78) shows the respondents' response was concentrated around the mean. This implies anything conclusive that previous work quality of subcontractor has been evaluated well.

Most respondents slightly agreed that company has Supply chain channels information. Looking to the standard deviation, 0.86 implies that the answers of the respondents were narrowly distributed with in this value apart from the mean, thus the answers are highly concentrated around the mean, 3.58.

### 4.3.5. Global Competition

Table 4.6: Global Competition

| | N | Min | Max | Mean | Std. Dev. |
|---|---|---|---|---|---|
| Competitive environment requires us to modify our existing product | 54 | 1.00 | 5.00 | 3.53 | .98 |
| A new competitive move is made almost every day | 54 | 1.00 | 4.00 | 3.17 | 1.07 |
| Our competitors are relatively weak | 54 | 1.00 | 5.00 | 3.38 | 1.12 |
| Price competition is a hallmark of our coffee industry | 54 | 2.00 | 5.00 | 3.47 | .92 |

As the mean value of 3.53 shows, respondents neutral that the competitive environment in our main export country requires us to modify our existing product and/or marketing and/or manufacturing processes, .98 implies that the answers of the respondents were less distributed with this value from the mean, thus the answers are concentrated around the mean.

Most respondents disagreed that new competitive move almost every day in our main export country. Also by drawing some ambiguity to decide the issue in regards to agreement and disagreement. Looking to the standard deviation, 1.07 implies that the answers of the respondents were distributed in average with in this value apart from the mean, thus the answers are moderately concentrated around the mean, 3.17.

As the mean value of 3.38 shows, respondents were in neutrality and agreement that competitors are relatively weak in our main export country. Looking to the standard deviations, 1.12 implies that the answers of the respondents were less distributed with this value from the mean, thus the answers are concentrated around the mean.

Most respondents slightly agreed that price competition is a hallmark of our coffee industry in our main export country. Looking to the standard deviation, 0.92 implies that the answers of the respondents were narrowly distributed with in this value apart from the mean, thus the answers are highly concentrated around the mean, 3.47.

## 4.4. Linear Regression Model Assumptions

When someone choose to analyze the data using linear regression, part of the process involves checking to make sure that the data that one wants to analyze

can actually be analyzed using linear regression. Therefore, it is needed to do this because it is only appropriate to use linear regression if the required data "passes" four assumptions that are required for linear regression to give a valid result. Let us look at whether the following assumptions are met or not. These assumptions are multi-collinearity, linearity, homoscedasticity, and normality. The assumptions are checked using SPSS software.

## 4.4.1 Multi-Collinearity

The researcher has checked if multicollinearity problem exists or not before running the regression. Multicollinearity refers to the situation in which the independent/predictor variables are highly correlated. When independent variables show multicollinearity, there is "overlap" or sharing of predictive power. Multicollinearity can be checked using the tolerance and variance inflation factors (VIF) which are the two Collinearity diagnostics factors.

Table 4.7: Multi Collinearity

| Model | | Collinearity Statistics | |
|---|---|---|---|
| | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Foreign Price | .758 | 1.319 |
| | Product Quality | .704 | 1.421 |
| | Capital | .801 | 1.289 |
| | Export Knowledge | .669 | 1.495 |
| | Global Competition | .751 | 1.332 |

Source: Own Survey, 2021

Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated for each variable. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is very high, suggesting the possibility of multicollinearity.

Accordingly, the tolerance value for all independent variables is greater than 0.1, which implies that there is no multicollinearity problem in connection with tolerance. Variance Inflation Factor (VIF) which calculates the influence of correlations among independent variables on the precision of regression estimates. The VIF factor should not exceed 10, and should ideally be close to one. As per the above table for all independent variables VIF value is less than 10 and literally closer to one, which implies there is no multicollinearity problem.

**4.4.2 Linearity**

Linearity test aims to determine the relationship between independent variables and the dependent variable is linear or not. The test is a requirement in the correlation and regression analysis. Good research in the regression model there should be a linear relationship between the free variable and dependent variable. If the value sig. deviation from linearity > 0.05, then the relationship between the independent variable are linearly dependent. The primary supposition states that the middling value of the errors should be zero. As Sekeran, U. (2003) if the regression equation includes a constant term, this pre-assumption will never be violated. Therefore, since from the regression result table the constant term (i.e. $\beta_0$ or, $\alpha$) was included in the regression equation; this assumption seizes fine fit for the model.

Table 4.8: Residuals Statistics

| | Minimum | Maximum | Mean | Std. Dev. | N |
|---|---|---|---|---|---|
| Predicted Value | 1.8319 | 5.0633 | 3.2029 | .52545 | 54 |
| Std. Predicted Value | -2.609 | 3.540 | .000 | 1.000 | 54 |
| Std. Error of Predicted Value | .040 | .163 | .078 | .025 | 54 |
| Adjusted Predicted Value | 1.8105 | 5.0959 | 3.2046 | .52653 | 53 |

Source: Own Survey, 2021

s are shown. The detailed data is in the table below.

### 4.4.3 Homoscedasticity

A sequence of random variables is homoscedasticity. If all its random variables have the same finite variance. This is also known as homogeneity of variance. The complementary notion is called heteroscedasticity. The misconception with the ambiguousness with homoscedasticity and heteroscedasticity results in unbiased but inefficient point estimates and in biased estimates of standard errors and may result in overestimating the goodness fit as measured by Pearson correlation coefficient.
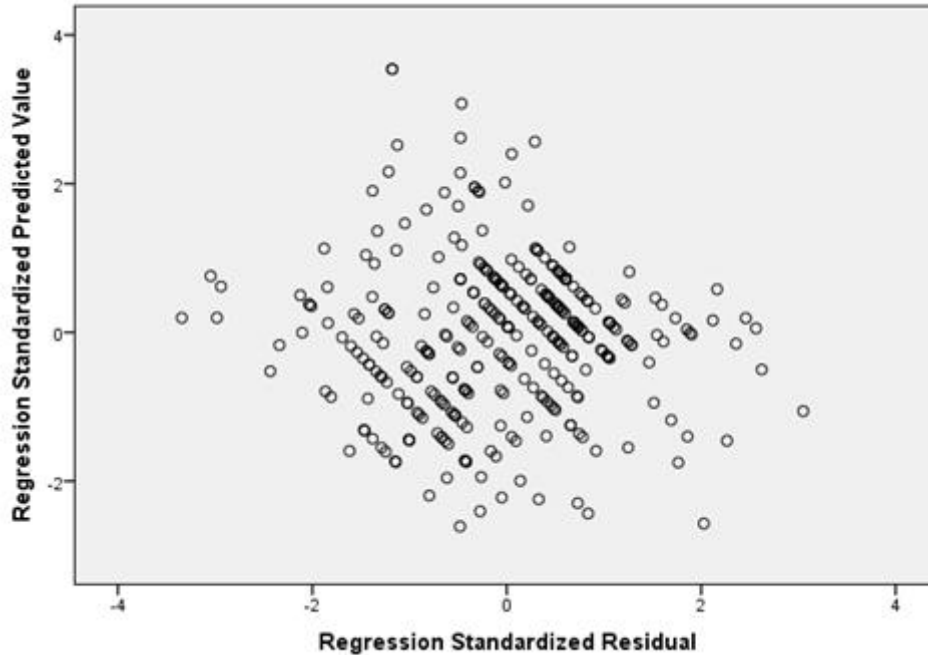
Figure 4.1: Scatter plot

Source: Own Survey, 2021

Heteroskedasticity is an organized blueprint in the errors where the variances of the errors are not constant. When the variance of the residuals is constant it is explained as homoscedasticity, which is desirable. To test for the absence of heteroscedasticity scatter plot test was used. In this test, if the scatter plot output spot appears diffused and distributed, it can be concluded that the model doesn't occur to have heteroscedasticity problem. As presented below, based on the scatterplot output above, it appears that the spots are diffused and do not form a clear specific pattern. This leads to a conclusion that the regression model doesn't have heteroscedasticity problem.

### 4.4.4 Normality

An assessment of the normality of data is a prerequisite for many statistical tests as normal data is an underlying assumption in parametric testing. There are two

main methods of assessing normality - graphically and numerically. Statistical tests have the advantage of making objective judgments of normality. Skewness and Kurtosis descriptive statistics is one of the numerical tests used to check normality. The value of asymmetry and kurtosis between -2 and +2 are considered as acceptable in order to prove normal distribution. Hence, as it is depicted in skewness and kurtosis statistics are within the range of -2 and +2, so that the assumption of normal distribution is met (George & Marllery, 2010).
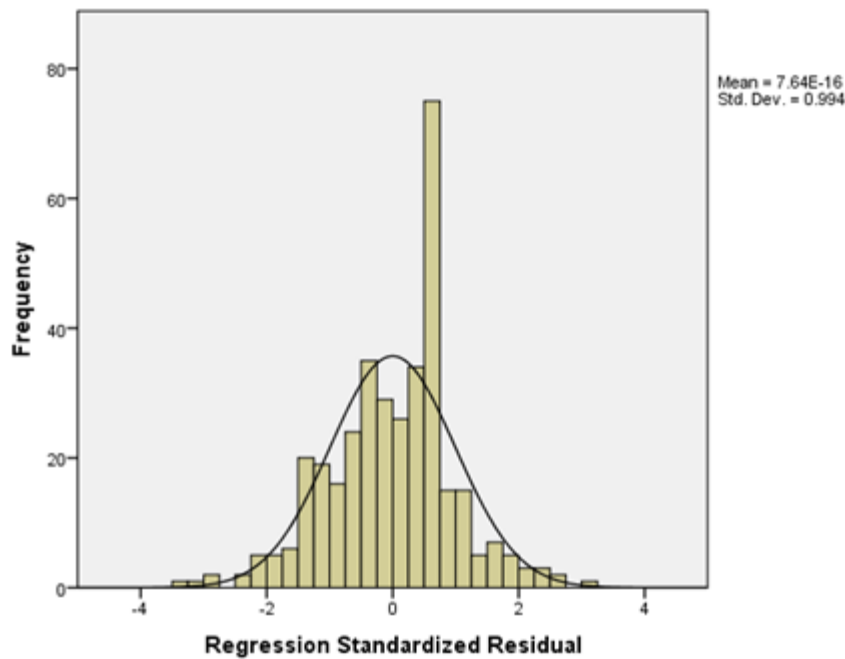


Figure 4.2: Histogram

Source: Own Survey, 2021

The normality of the study is supplemented by the histogram above and the histogram of standardized residual shows a roughly normal curve when the assumption of regression and most technique met that error terms are normally distributed. The histogram showed that the assumption of normally distributed error is met.

## 4.5. Regression Model

## 4.5.1 Model Summary

Regression is a model for the relationship between a dependent variable and a collection of independent variables. It also used to model the value of a dependent scale variable based on its linear relationship or "straight line" relationship to one or more predictors. The researcher determines the relationship between a dependent variable and multiple independent variables using multiple regression analysis.

The model summary, in the table below which reports the strength of relationship between the independent variables and the dependent variable. R is a Pearson correlation between predicted values and actual values of dependent variable, with a value of 0.910, which is a very high value. While, $R^2$ is multiple correlation coefficients that represent the amount of variance of dependent variable explained by the combination of four independent variables. According to different scholars, the R square above 0.6 is accepted, conventionally. In this study, the R square resulted is 0.828, which shows the model is so fit, then it is highly accepted.

Table 4.9: Model Summary

| Model | R | R Square | Adj. R Square | Std. Error |
|-------|------|----------|---------------|------------|
| 1 | .912a | .896 | .814 | .22639 |

Source: Own Survey, 2021

## 4.5.2. Model Fitness

The NOVA tells us whether the model, overall, results is significantly good degree of prediction of the outcome variable. F-ratio is the test statistic used to decide whether the model as a whole has statistically significant predictive capability,

considering the number of variables needed to achieve it. Since, the significance result on the ANOVA table is 0.001 which is $p < 0.01$ and the regression mean square is greater than residual mean square with F value 73.562, the regression model fit to a very good degree of prediction.

Table 4.10: ANOVA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 31.680 | 4 | 7.920 | 73.562 | .000[b] |
| | Residual | 6.602 | 49 | .072 | | |
| | Total | 38.282 | 53 | | | |

Source: Own Survey, 2021

### 4.5.3. Regression Coefficients

Regression coefficients are estimates of the unknown population parameters and describe the relationship between a predictor variable and the response. In linear regression, coefficients are the values that multiply the predictor values. The following table shows the regression coefficients of the study.

Table 4.11: Regression Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | .002 | .207 | | -.587 | .059 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | Market price | .386 | .062 | .324 | 8.914 | .000 |
| | Product Quality | .056 | .060 | .180 | 3.728 | .086 |
| | Capital | .154 | .025 | .176 | 5.441 | .001 |
| | Global Competition | .512 | .062 | .540 | 9.342 | .000 |
| | Export Knowledge | .045 | .047 | -.012 | -1.174 | .243 |

Source: Own Survey, 2021

From the table we can say that a is .002, and this can be interpreted as meaning that if all the independent variables were to be zero, the model predicts that there can only be .2% of export performance. We can also read off the value of β from the table and this value represents the slope of the regression line.

It is 0.386 for Market price and although this value is slope of the regression associated with a unit change in the outcome associated with a unit change in the predictor. Therefore, if Market price variable is increased by one unit, then the model predicts that 38.6% extra additional value on export performance was experienced. The same is true for product quality (5.6%), Capital (19.4%), global competition (51.25%) and export knowledge (4.5%) for which an increase in one unit of these respective variables can result in an increase in export performance by the percentage shown.

The mathematical model drawn from regression of the study is:

**Export Performance = .002 + .386 A + .154 C +. 512 E +**

## 4.5.4. Hypothesis Testing

The significance level in the table shows the significance level of the independent variable. Where ever the p value is above 0.05, the variable is considered to have insignificant effect on the dependent variable. From the regression analysis table of the study, it is observable that:

**Market price:** has a p value 0.000 which is lower than 0.05, this implies that Market price has a strong positive significant effect on Export performance.

**Product quality:** with p value of 0.086, it can be easily observed that it is greater than 0.05. This implies that product quality has an insignificant effect on Export performance.

**Capital:** has a p value 0.001 which is lower than 0.05, this implies that Capital has a moderate positive significant effect on Export performance.

**Export knowledge:** with p value of 0.243, it can be easily observed that it is greater than 0.05. This implies that, Export Knowledge has an insignificant effect on Export performance.

**Global competition:** with p value of 0.000, it can be easily observed that it is less than 0.05. This implies that global market and competition has a moderate positive significant effect on Export performance.


**Hypothesis 1:** As the significance level shows Market price has significant and positive effect on export performance. Hence, the alternative hypothesis is accepted. Overall, the study found that Market price has a significant positive effect on export performance.

**Hypothesis 2:** Product quality has a significant and positive effect on export performance. As the significance level shows product quality has a insignificant

effect on export performance. Hence, the alternative hypothesis is rejected. Overall, the summary of the regression analysis shows that product quality has an insignificant effect on export performance.

**Hypothesis 3:** As it is observed from the significance test capital has a significant and positive effect on export performance. Hence, the alternative hypothesis is accepted. Overall, from the regression analysis it can be seen that capital has a significant positive effect on organizational performance.

**Hypothesis 4:** Export knowledge has an insignificant effect on export performance. As the significance level shows export knowledge has an insignificant effect on export performance. Hence, the alternative hypothesis is rejected. Overall, the summary of the regression analysis shows that export knowledge has an insignificant effect on export performance.

**Hypothesis 5:** As it is observed from the significance test global competition has a significant and positive effect on export performance. Hence, the alternative hypothesis is accepted. Overall, from the regression analysis it can be seen that global competition has a significant positive effect on export performance.

**CHAPTER FIVE: CONCLUSION AND RECOMMENDATION**
This chapter briefly presents summary of the objectives, research methodology, key findings of the model, conclusion and suggests useful recommendations.

## 5.1 Summary of Major Findings

The research objective was to investigate the factors that affecting the coffee exporting business in Addis Ababa. The study hit its general aim by coming to conclusion by understanding if Market price affects the coffee exporting performance, if product quality affects the performance of the coffee exporting performance, if capital affects the coffee exporting performance, if export knowledge affects the coffee exporting performance, and if global competition affects the performance of the coffee exporting performance.

The researcher determined that the target population of the study were 400 coffee exporters, 395 coffee farmers who directly export coffee, and over 30 import-export companies in Addis Ababa. Then applied appropriate sampling techniques to come up with sample size level of 54. Considering the five major factors that can affect coffee export performance, the paper adopted quantitative research strategy and used self-administered questionnaire to collect data. The study also used explanatory research design. Explanatory study design was used to explaining, understanding, predicting and controlling the relationship between variables Then the study determines to what extent the factors affect Export performance. A total of 54 questionnaires were distributed, all of them were returned back to the researcher thus providing full response rate. The female respondents constituted the largest share of the gender composition representing 13.8%, while 86.2% were male, as shown on table 4.1 above. This shows the largest number of respondents were female with 13.8%, while male respondents constituted 86.2% of the total respondents. Regarding age group, respondents in the age between 46 -55 years amounted to 35.2% of the total respondents, while the 36 - 45 years were 27.8%. respondents with 56 years & above were 18.5%, while 26 - 35 years respondents were 18.6%. Regarding the academic level of the respondents, 5.6% of the total respondents were with PhD academic level. While 68.5% of the sampled respondents were having degree, 25.9% of the respondent were having Master's degree. Regarding work experience, respondents in the 2 -

5 years of experience were constituting 45% of the total respondents, while the respondents with less than 2 years of experience were 32.5%. Respondents 6 - 10 years of experience were 15% of the respondents. Respondents above 10 years' experience were 7.5% of the respondents.

After dealing with descriptive statistics of the data collected to measure the independent variables. Pearson correlation test was conducted to know the degree of relationship between the independent variables and the dependent variable.

Based on the analysis of regression, the R is a Pearson correlation between predicted values and actual values of dependent variable, with a value of 0.912, which is very high. While, $R^2$ is multiple correlation coefficients that represent the amount of variance of dependent variable explained by the combination of five independent variables. In the study, an analysis of variance (ANOVA) shows the regression model fit to be a very good degree of prediction.

Considering Market price, the respondents responded with neutrality for the measure statements. The study found that all terms in the contract agreement are clear. Detail specification and design are included in the contract document. Neutrality was seen that full project timeline is included in the contract document and comprehensive payment term is included in the contract. Some terms in the contract agreement are complete.

In regards to product quality, the study found that firm produces according to customers specifications. Exporters have enough knowledge on quality standards of exported coffee performance. Firms offered Range of quality products to export market. Sometimes the firm faced problems to comply with customers' request.

According to the Capital, it is found that the costs of loans for export finance are high. Loan processing procedures of banks and other lending institutions are too

complicated and time consuming. The collateral requirement from lending institutions is not a serious constraint for the industry. There is no difficulty in timely obtaining working capital or foreign currency from financial institutions.

In regards to export knowledge, the study found that the company has current Competitor information in international market. Companies have updated customer information. Companies has current market information. Companies have some supply chain channels information.

According to the global competition, it is found that competitive environment in our main export country requires us to modify our existing product and/or marketing and/or manufacturing processes. Price competition is a hallmark of our coffee industry in our main export country. Competitors are relatively weak in our main export country. There is no new competitive move almost every day in our main export country.

## 5.2 Conclusion

The study was conducted addressing the research questions and hypotheses proposed. In line with those research questions, investigations were made and the conclusions reached are arranged within this section and these implications are presented below.

- Market price also has a significant and positive effect on export performance because that is what drives a company's profitability. As the global and local price of coffee increases, the ability to stay in business is brought into question. If the price a local company has is much higher than another company for the same quality product because of different reasons then the company with a lesser price will win the contract. In the case of our country most exporters get into the business to try and get Dollars so they can use that to import other goods which they can in turn sell in the local market. The reason behind this is the export business is

not as profitable as it used to be compared to what it was some years back. Exporters sight the economic inflation as the possible reason why the export business notable profitability declined. As such Market price plays a key role in export performance.

- Product quality is the next factor affecting export performance. The study has found that this factor has an insignificant effect on the export business. The rationale behind it is even though getting the highest quality product is what most customers want not everyone has the ability to pay top price to get what they want. In the case of Ethiopian exporters, the major international customers are Europe, UAE and USA. These countries have the ability to pay top price for the products they want. In other cases some Arabian countries aren't able to pay the asking price set forth by local exporters so they opt for a lesser quality product they can afford.

- Capital is another factor that has a significant and positive effect on export performance. The export business is one sector that needs a significant investment and lending institutions usually have reservations about lending huge sums of money to a new business even if the company can provide adequate collateral. Banks and other lending institutions prefer to lend money to seasoned companies and exporters as they believe they have a better chance of paying back the money they took. In addition, even the seasoned exporters sometimes have a hard time getting loan from banks and other lending institutions as they have to wait a long time to get approved.

- Global competition was found to have a significant and positive effect on export performance. The reason behind it is Ethiopia is not the only country in the world who exports coffee even though coffee was first found here. People around the world are always looking for higher quality product

for a lesser price if at all possible. This drives companies around the world to continuously find new ways to bring their product to the international market. As such local companies are also forced to be creative with their products as well if they want to survive.

- Export knowledge has an insignificant effect on export performance. Nowadays individuals or companies don't need extensive knowledge to get into the business. They mostly learn as they go and from the mistakes they make as they are starting out.

## 5.3 Recommendations

As the study dictated, global competition, Market price, product quality and capital have positive significant effects on export performance while export knowledge has an insignificant effect on export performance. Based on the above findings and conclusions, the following recommendations are forwarded:

- Since, global competition has very strong effect on export performance, there should be more emphasis given to the global competition aspect of the market. All stakeholders should be focused on the improving the international competition aspect since coffee is the main product Ethiopia exports to the international market.

- Market price also has a strong effect on the export performance of Coffee. Therefore, there should be intense Market price plan, management and evaluation. In addition, the government should regulate the local price at which coffee is brought so that local exporters can go back to being strong players in the international market.

- Next to Market price, Capital has been indicated to have strong positive relationship with export performance. This by far suggests that there should be sufficient capital for business and the industry to bring upon better export performing coffee products and companies. There should be more focus given to new as well as seasoned exporters with regards to processing their loan applications faster and giving them loan opportunities with lesser interest rate.

## 5.4 Areas of Further Research

Other interested researchers may consider taking other factors that are determinants of Export performance, as well as redoing the study on different location and commodities may provide better precision and accuracy. Moreover, other researchers can take one of the factors and study particularly on the chosen factors to enhance better knowledge and perception about the dimensions of the factor.

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# APPENDICES



**St. Mary's University**

**School of Graduate Studies**

**MBA Program**

**Questionnaire prepared for coffee exporters**

Dear Respondents,

This questionnaire is prepared to collect data for thesis work on the topic of "Surviving International Competition: An Assessment of Factors Affecting The Coffee Export Performance". The study is to be undertaken for the partial fulfillment of the requirement for MBA program. For the successful accomplishment of the study, your response will be used as a valuable input. I assure you that the information you will provide will be used only for academic purpose and will be kept confidential. Therefore, I request you to fill the questionnaire genuinely and without bias.

Thank you in advance for your cooperation

Directions: -

☐ Writing your name is unnecessary.

☐ Put tick mark as per the questions required in the box and put your short and precise answer in the space provided

## A. Demographic information

1. Gender

☐ Female          ☐ Male

2. Age

☐ 25 years and lower        ☐ 26-35 years

☐ 36-45 years            ☐ 46-55 years

☐ 56 and above

3. Educational level

☐ Diploma           ☐ Degree

☐ Master            ☐ PhD

4. How long has it been since you started exporting coffee?

☐ Less than 2 years        ☐ 2-5

☐ 6-10               ☐ Above 10

## B. Please mark what you feel most appropriate, using the scale from 1 to 5 (Where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree).

| Market price | | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|
| 1 | Compared to domestic sales, your foreign transactions are generally much more profitable. | | | | | |
| 2 | The extent of foreign competitors in this export market can decide Market price level. | | | | | |
| 3 | Allows exporters to open a retention account to hold a specified amount of their export earnings for a defined period and use their forex holdings for their export business promotion. | | | | | |

| | **Product Quality** | | | | | |
|---|---|---|---|---|---|---|
| 4 | Exporters have enough knowledge on quality standards of exported pulse and oilseeds performance. | | | | | |
| 5 | Your firm produces according to customers specifications. | | | | | |
| 6 | Most of the time your firm faced problems to comply with customers' request. | | | | | |
| 7 | Your firm offered Range of quality products to export market. | | | | | |
| 8 | There are convenient quality assurance processes in Ethiopia, which help to enhance export performance. | | | | | |
| 9 | In Ethiopia there is fair cost paid for quality testing and certification. | | | | | |
| | **Capital** | | | | | |
| 10 | There is difficulty in timely obtaining working capital or foreign currency from financial institutions. | | | | | |
| 11 | The collateral requirement from lending institutions is a serious constraint for the industry. | | | | | |
| 12 | Loan processing procedures of banks and other lending institutions are too complicated and time consuming. | | | | | |
| 13 | The costs of loans for export finance are high for your firm. | | | | | |
| | **Export Knowledge** | | | | | |
| 14 | The company has updated customer information. | | | | | |
| 15 | The company has current market information. | | | | | |
| 16 | The company has current Competitor information in international market. | | | | | |
| 17 | The company has Supply chain channels information. | | | | | |
| | **Global Competition** | | | | | |
| 18 | The competitive environment in our main export country requires us to modify our existing product and/or marketing and/or | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | manufacturing processes. | | | | | |
| 19 | A new competitive move almost every day in our main export country. | | | | | |
| 20 | Our competitors are relatively weak in our main export country. | | | | | |
| 21 | 24 Price competition is a hallmark of our coffee industry in our main export country. | | | | | |
| **Export Performance** | | | | | | |
| 22 | Our quality product improved the firm's export and international competitiveness. | | | | | |
| 23 | Our export has strengthened due to governmental support in terms of international market information. | | | | | |
| 24 | Global competition affected our export. | | | | | |
| 25 | Our firms have become profitable through export because of the accessibility of finance. | | | | | |
| 26 | Through exporting, the firm has generated a high volume of sales as a result of marketing knowledge and information. | | | | | |
| 27 | The firm's exports have achieved rapid growth due to technological capability. | | | | | |
| 28 | Our firms' export increased as a result of government incentive in export promotion. | | | | | |
| 29 | Institution and association support in technology and market research increased our export. | | | | | |

THANK YOU!!!!!!!!!!!!!!