INNOVATIONS

Firm, managerial characteristics and internationalization barriers on export performance: a structural analysis evidence from textile and garment enterprises in Ethiopia

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Abstract : Firm, managerial characteristics of enterprises are significant for the growth of developing country's economies. The objective of this study is to examine internationalization barrier of medium, and large-scale Textile and Garment enterprises export performance in Ethiopia. The study analyzed data from 252 questionnaire-based surveys of managers from medium, and large-scale textile and garment enterprises in Ethiopia using PLS-SEM model. The Model identified seven significant internationalization barrier factors and it reveals that all the relationships in the hypothesized model were significant at $p < 0.05$ and this shows that all constructs of internationalization barriers affect export performance. The latent variables, marketing knowledge barriers (P= 0.000), human resource barriers (P= 0.010), financial resources barriers (P= 0.000), product quality barriers (P= 0.000), competition barriers (P= 0.027), government policy barriers (P= 0.001) and economic barriers (P= 0.000) significantly affect export performance, and the latent variable procedural barriers (P= 0.328) were reported insignificant. The study finds empirical evidence suggesting that several managerial, organizational and institutional barriers influence performance of enterprises in developing countries.These findings point to the need for business organizations and policymakers to address these challenges, thus improving the contribution of these firms to economic development of developing countries and the result of the studycompletes the findings for, practice policy, and research endeavor.

Keywords : 1. Internationalization barriers 2.Export performance 3. Textile and garment enterprises 5. Medium and large-scale 6. Ethiopia

1. Introduction

Internationalization of firms from developing countries has become a topic of increasing research interest predominantlydue to the practical growth effects of cross border venturing of medium, and large-scale firmsfor economic development (Mitigue, 2006; Mursali, 2012; Pietrasieński & Ślusarczyk, 2015; Yehualashet & Germinah, 2015; Paul & Lakshmi, 2017).

In the context of Africa, a review of research on internationalization barriers has acknowledged limited research responsiveness in export-centered works on medium and large-scale manufacturing enterprise's internationalization. An internationalization research review on economic growth of Ethiopia revealed that the research on internationalization barriers faced by medium and large-scale enterprises are hopelessly scarce, and the current existing research studies in Ethiopia were mainly focused on small and medium enterprises (SMEs). (e.g., Tesfom & Lutz, 2006; Tamirat, 2014; Demeke &Chiloane-Tsoka, 2015; Gebrewahid, 2016; Shalemu, 2018; Sisay, 2018). Significantly, there is limited research looking at the internationalization of and challenges facing medium and large-scale manufacturing firms in developing countries in the textile and garment enterprises scarce in Ethiopia.

Based on the above view, the study centered on the organizational and institutional barriers of internationalization facing medium and large-scale textile and garment enterprises in Ethiopia. This study, thus, tried to emphasize on studying the structural relationship between internationalization barriers and export performance on medium and large-scale textile and garment enterprises in Ethiopia. Consequently, the study concludes through providing their corresponding implications for export performance.

2. Literature review and hypothesis development

In today's dynamic and turbulent environment, internationalization in developing country's contexts, played a role to economic development. Thus, internationalization barriers are impedimentsto enter in an international market (Jusufi & Bellaqa, 2019; Mokhethi, 2019). For a company considering internationalization as a way to enter an international market, it is essential to recognize the major internationalization barriers in export market. Moreover, for those with a presence in the international market, better to understand and appreciate the impediments of international marketing for enterprises long run sustainability in this dynamic and turbulent environment. In an international market context, certain barriers related with internal environments of enterprises including marketing knowledge, human resources, financial and product quality barriers and others are related with external environments including competition, procedural, government policy and economic barriers that may forbid internationalization of most enterprises (Narayanan, 2015).

In another interrelated study made by Raifi (2017) described internationalization barriers including means to access finance, the existence of excessive corruption and political instability, the existence of imbalanced competition and lack of well-developed transportation infrastructure undermine the efficiency and effectiveness of firms' internationalization efforts and their growth/survival in the international markets. In similar vein, Atkin and Jinhage (2017) confirmed that internationalization barriers may hurt the internationalization process of most large-scale enterprises. Research in the area in both developing and developed countries context got the eyes of most researchers (Rahman

et al., 2017; Raifi, 2017; Kahiya, 2018; Rahman & Mendy, 2018; Al-Maskari et al., 2019; Mendy et al., 2020).

Hosseini et al., (2019) disclosed that political instability, legal problems, demand insufficiency, adaptation problem of market entry, lack of proper trade institutions, and social environments are the major impediments of internationalization of Western Balkan countries. In another review, Leonidou (2004) identified also similar barriers in the field of internationalization which affects the export performance of enterprises in the developing countries context.For this purpose, the study employed SEM in that Internationalization barriers are measured with eight dimensions including organizational factors including marketing knowledge, human resources, financial resources and, product quality and the remaining four are categorized under institutional factors including competition, procedural, government policy, and economic barriers, whereas export performance is measured with three dimensions financial, strategic and management satisfaction (Mokhethi, 2019).

In another interrelated study made by Akter (2018) disclosed that capital goods import restrictions, cost of free sample, documentation problems, fall in the international market price, getting payment, import restrictions in foreign market, inability to use foreign language, devaluation of currency, intense competition in the foreign markets, lack of ready availability of management consultancy service, lack of skilled staff, need for sample in obtaining each order, need for foreign representation, quality cost, training and retaining skilled labor and transport problems were reported to be the major internationalization barriers that forbid the information system strategic orientation success (Gebrewahid, 2016).

Based on the above arguments and review of related literature, the following hypothesis were formulated

H_1: Marketing barrier has a positive and significant relationship with export performance.

H_2: Human resource barrier has a positive and significant relationship with export performance.

H_3: Financial resource barrier has a positive and significant relationship with export performance.

H_4: Product quality barrier has a positive and significant relationship with export performance.

H_5: Competition barrier has a positive and significant relationship with export performance.

H_6: Procedural barrier has a positive and significant relationship with export performance.

H_7: Government policy barrier has a positive and significant relationship with export performance.

H_8: Economic barrier has a positive and significant relationship with export performance.

3. Methodology

This study uses a quantitative methodology to analyze data collected from a questionnaire. Close-ended questions format with five-points Likert Scale were used (i.e. 1, 2, 3, 4 and 5), which indicated 'strongly disagree', 'disagree', 'neutral, 'agree' and 'strongly agree' were used for helping the respondents to make quick decisions to prioritize the explanatory factors.All medium and all large-scale Textile and Garment enterprises which are engaged in export were selected, and all

questionnaires were returned. Out of 315 questionnaires distributed, 252 were returned yielding a response rate of 80%.

4. Results and discussions

The main characteristics of the sample of Textile and Garment exporters surveyed in this study are set out in Table 4.1. Three quarters of the respondents in the sample are Garment exporters 144 (57.1%) and 108 (42.9%) are exporters from Textile enterprises. Therefore, one can deduce that, the industry mix of the respondents presented in Table 4.1 is corresponding with enterprise distribution in the sampling frame and indicating a good level of representation of the sample respondents.

Table 4.1 Characteristics of the Response Sample

Items	Description	Frequency	Percentage
1. Firm characteristics			
1.1. Enterprise Type	Textile	108	42.9
	Garment	144	57.1
1.2. Size of Firm	Medium Scale Enterprises (50 to 100 employees)	80	31.7
	Large Scale Enterprises (> 100 employees)	172	68.3
2. Internationalization Characteristics of Managers (Firms)			
2.1. Export Experience	0 to 6 years	233	92.5
	More than 6 years	19	7.5
2.2. Export intensity (export sales as % of total sales)			
	low less than or equal to 50%	133	52.8
	High greater than 50%	119	47.2
2.3. Number of Export Market	Concentrators (less than 5 countries)	56	22.2
	Spreaders (Greater than 5 countries)	196	77.8
2.4. Main Export Market Distance	Regional	43	17.1
	Global	209	82.9
2.5. Main export Region	Europe	118	46.8
	North America	74	29.4
	Middle East	24	9.5
	Asia Pacific	24	9.5
	Others	12	4.8
2.6. Internationalization Involvement	Direct exporting to foreign countries	125	49.6

	Indirect exporting	85	33.7
	Wholly owned subsidiary	23	9.1
	Contracting	6	2.4
	Joint venture	13	5.2

Source: Survey result, 2021

With regard to size of firm, as it is shown in Table 4.1, the result display that the size of the responding firms was measured by the number of employees working in the enterprises. The respondents were categorized following the Ethiopian Ministry of Trade and Industry definition of Medium and Large-scale Enterprises, where a firm employing in between 50 to 100 employees is considered medium size firm, and a firm with more than 100 employees as a large firm. As can be seen from the result, a majority of the exporters in this sample were larger firms 172 (68.3%) while the remaining 80 (31.7%) were categorized as medium Textile and Garment enterprises.

As far as export experience is concerned, the majority of the responses 233 (92.5%) were provided by less experienced exporters with less than 6 years of exporting experience. In addition, only 19 (7.5%) more than 6 years of exporting experience.

Table 4.1 depicts export intensity.Of the 252 respondents, 133 (52.8%) firms generated less than half of their total annual sales from exports, with 119 (47.2%) exporters having more than 50% of their sales from exports. And the result indicates a balanced representation of less intensive (low intensity) and more intensive (high intensity) exporters in the response sample of Textile and Garment enterprises.

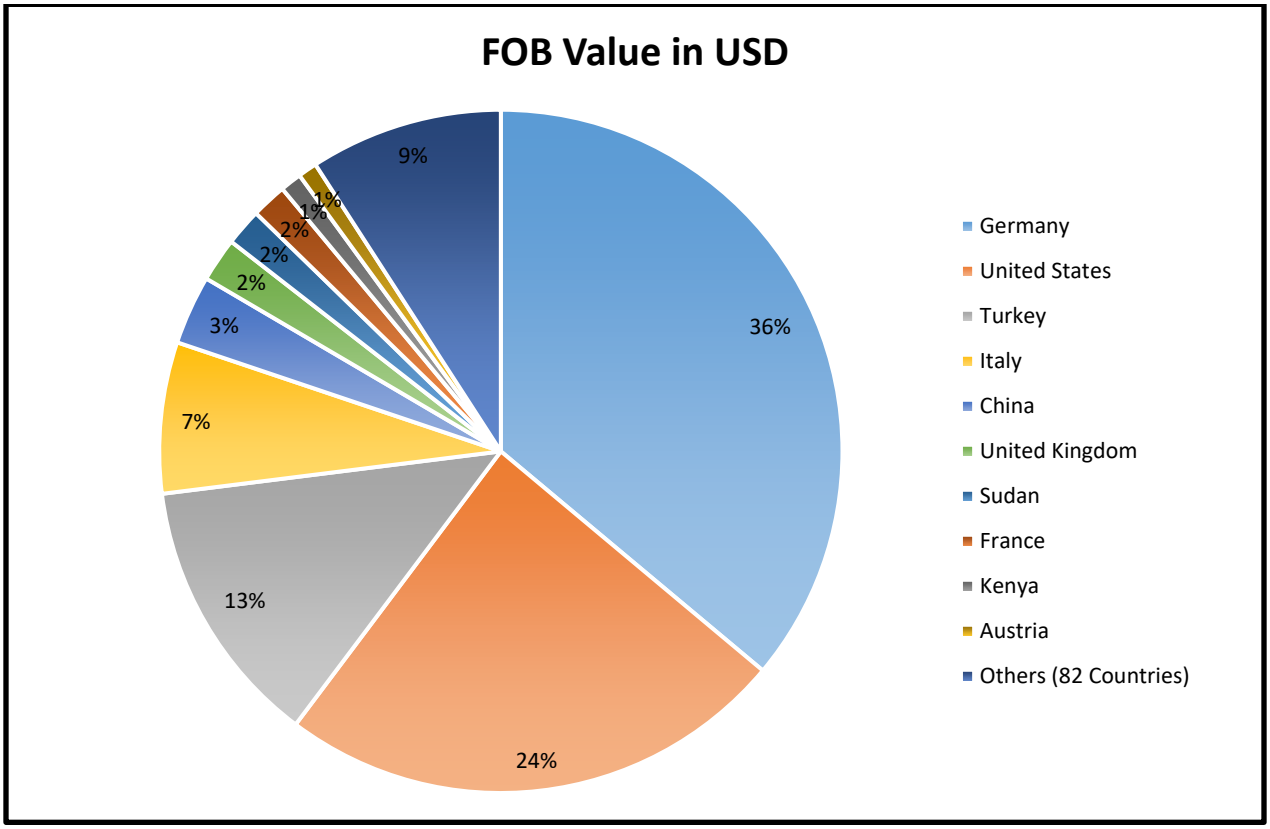
With respect to the number of export markets of the respondents, as it is portrayed in Table 4.1, the sample respondents comprises mostly 196 (77.8%) exporters that have customers in more than 5 countries in export trade, whereas 56 (22.2%) of the firms in the sample export to less than five different countries in Textile and Garment enterprises. When the number of export markets concerned, firms exporting to more than 5 countries are perceived to be following a market spreading strategy, whereas firms exporting to less than 5 countries are perceived to be following a market concentration strategy in export market. Thus, one can understand that, the majority the sample exporters have a relatively higher degree of geographic spread of their exporting activities in Textile and Garment Enterprises.

With respect to the main export market distance of the respondents, as depicted in Table 4.1, According toJohanson and Vahlne (1990), psychic distance is defined as factors preventing or disturbing the flows of information between firm and market, such as differences in language, culture, political systems, level of education and level of industrial development. And, for the purposes of this study, the respondents who export mainly to the domestic markets were named regional and those sample firms exporting predominantly to the rest of the world were labelled as global.As it is portrayed in Table 4.1, 43 (17.1%) of the respondents indicated that the domestic market (Ethiopia) is their main export region or destination, while the majority 209 (82.9%) of the sample has spread their exports to global area.

Concerning main export regions of the sampled respondents, Europe is a main export region for nearly half of the sample firms'118 (46.8%), whereas the other half of the respondents export

relatively proportionally across North America, Middle East, Asia Pacific and Other parts of the world. The main export region for the exporters in this sample is consistent with official statistics for Ethiopian Textile Industry Development Institute (2019) export trade flows as shown in Figure 4.1.

Figure 4.1. Ethiopian Textile and Garment Enterprises Country of Destination with FOB Value in USD



Source: ETIDI, 2019

With regard to internationalization involvement, as it is shown in Table 4.1,direct exporting to foreign countries is the main form of international involvement for 125 (49.6%) of respondents followed by indirect exporting, i.e., 85 (33.7%). And almost a third of the respondents have some form of presence in the foreign market like wholly owned subsidiary 23 (9.1%), Contracting 6 (2.4%) and Joint venture 13 (5.2%).

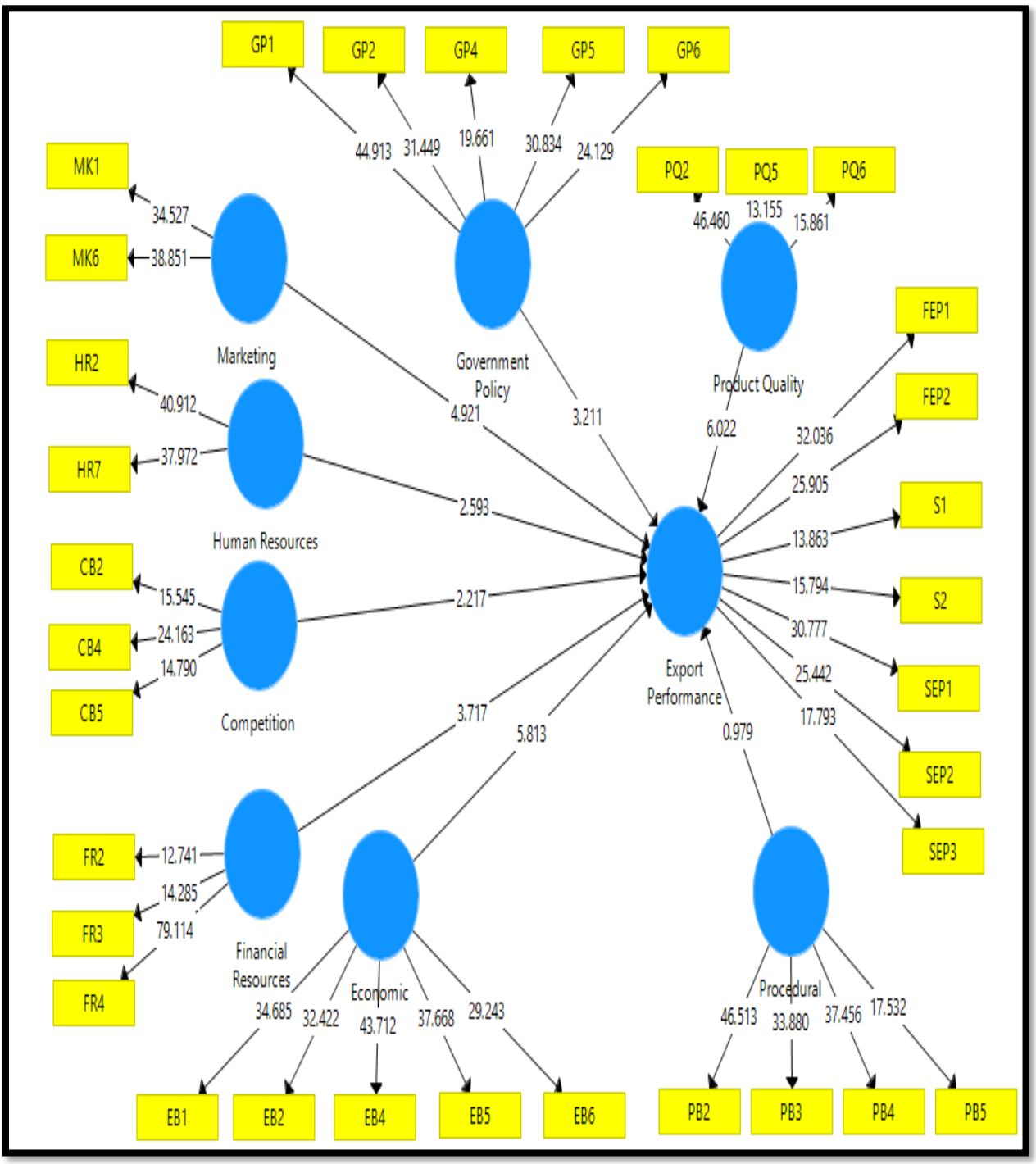
4.1. Measurement model assessment of the study

According to Hair et al (2019), the measurement model of the study was further assessed based on the composite reliability, outer loadings, Cronbach's alpha, average variance extracted (AVE), and discriminant validity.

As presented in Table 4.2, and according to Wong (2013),the factor loadings for the extracted factor were all above the critical value of 0.5 for all the items and composite reliability is was tested to confirm the construct reliability as well, and the result indicated that all the values were greater than 0.7 (Kline, 2010, Kock, 2016). In addition, as can be seen from Table 4.2 that the result of coefficients output – Collinearity statistics disclosed that VIF value ranging from 1.205 to 5.603 meaning that the VIF value obtained is between 1 to 10, therefore, it can be concluded that there is no multicollinearity issue.

As can be seen from Table 4.3 that, Fornell and Larcker's (1981) guideline disclosed also that the AVE values for each construct exceeded 0.50, which demonstrates the statistical significance of all items of the measurement model and is consistent (Barclay *et al*. 1995, Juniati, et al, 2019). In addition, the range of AVE lies between 0.588 - 0.773 to all study variables. Therefore, Figure 4.3displays that all the nine constructs of Marketing Barriers, Human Resources Barriers, Competition Barriers, Financial Resources Barriers, Economic Barriers, Procedural Barriers, Product Quality Barriers, Government Policy Barriers, and Export performance were statistically significant with a value < 0.05 except procedural barrier.

Figure 4.2. Structural Model (n = 252 bootstrapped samples)



Variables	Indicators	Loadings	Cronbach's Alpha	rho_A	VIF	CR	AVE
Competition	**CB2**	0.749	0.702	0.702	1.240	0.810	0.588
	CB4	0.805			1.288		
	CB5	0.744			1.286		
Economic	**EB1**	0.852	0.908	0.908	3.210	0.932	0.731
	EB2	0.863			5.050		
	EB4	0.874			3.428		
	EB5	0.878			5.603		
	EB6	0.808			2.014		
Financial Resources	**FR2**	0.728	0.782	0.782	1.309	0.825	0.614
	FR3	0.721			1.329		
	FR4	0.890			1.474		
Government Policy	**GP1**	0.856	0.873	0.874	2.442	0.908	0.664
	GP2	0.801			1.995		
	GP4	0.786			1.808		
	GP5	0.831			2.125		
	GP6	0.799			1.922		
Human Resources	**HR2**	0.883	0.707	0.707	1.427	0.872	0.773
	HR7	0.876			1.427		
Marketing	**MK1**	0.873	0.756	0.756	1.403	0.869	0.768
	MK6	0.880			1.403		
Procedural	**PB2**	0.851	0.844	0.852	2.045	0.895	0.682
	PB3	0.840			2.002		
	PB4	0.849			2.007		
	PB5	0.760			1.612		
Product Quality	**PQ2**	0.843	0.745	0.745	1.205	0.813	0.592
	PQ5	0.734			1.436		
	PQ6	0.727			1.437		
Export Performance	**FEP1**	0.823	0.885	0.888	2.641	0.910	0.592
	FEP2	0.792			2.889		
	S1	0.723			2.374		
	S2	0.738			1.910		
	SEP1	0.807			2.375		
	SEP2	0.772			2.173		
	SEP3	0.726			1.861		

Table 4.2: Summary Results for Measurement Model Assessment

Table 4.3: Fornell-larcker Criteria Result of the Study

Competition	**0.767**								
Economic	0.489	**0.855**							
Export Performance	0.618	0.858	**0.769**						
Financial Resources	0.662	0.517	0.709	**0.784**					
Government Policy	0.518	0.902	0.856	0.565	**0.815**				
Human Resources	0.333	0.370	0.585	0.440	0.394	**0.879**			
Marketing	0.330	0.305	0.580	0.471	0.367	0.693	**0.876**		
Procedural	0.524	0.911	0.811	0.536	0.887	0.357	0.335	**0.826**	
Product Quality	0.541	0.505	0.743	0.660	0.546	0.541	0.580	0.507	**0.770**

Table 4.4: Hypothesis Testing

Hypothesis	OS	SD	T	P	Supported
Marketing -> Export Performance	0.143	0.029	4.921	0.000*	Yes
Human Resources -> Export Performance	0.079	0.031	2.593	0.010*	Yes
Financial Resources -> Export Performance	0.116	0.031	3.717	0.000*	Yes
Product Quality -> Export Performance	0.191	0.032	6.022	0.000*	Yes
Competition -> Export Performance	0.064	0.029	2.217	0.027*	Yes
Procedural -> Export Performance	-0.080	0.082	0.979	0.328	No
Government Policy -> Export Performance	0.195	0.061	3.211	0.001*	Yes
Economic -> Export Performance	0.494	0.085	5.813	0.000*	Yes

Notes: * significant at 0.05

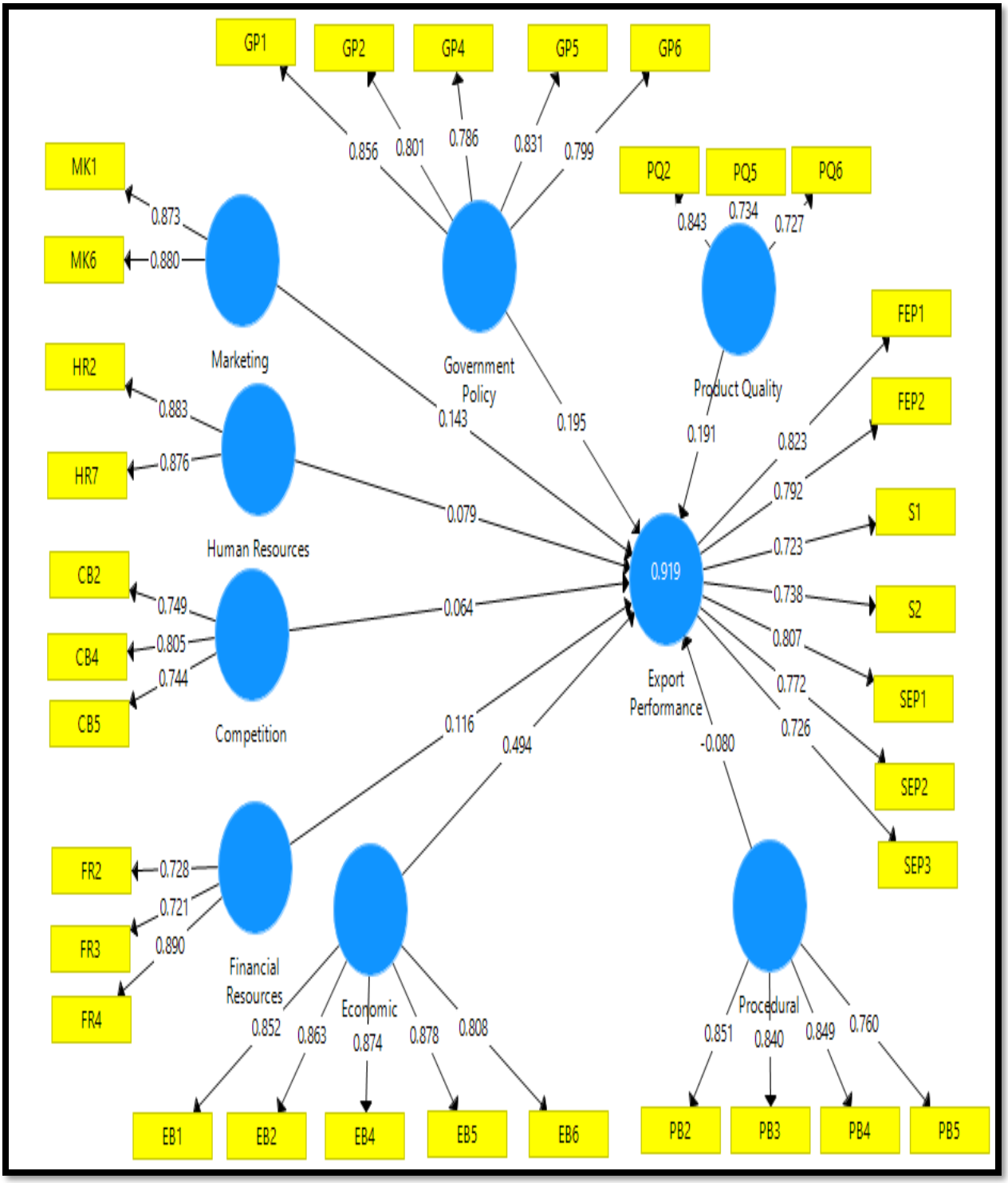


Figure 4.3. The Measurement Model

The PLS-SEM was used to test hypotheses H_1, H_2, H_3, H_4, H_5, H_6, H_7, and H_8 concerning the relationship of internationalization barriers and export performance as shown in Table 4.3 and based on the beta coefficient with 95% confidence level and p-value to test whether the hypothesis is supported or not.

As can be seen from Table 4.3 presents the path coefficients (β), standard deviation, T-statistics, and P values. All the relationships (path coefficients) of marketing, human resources, financial resources, product quality, competition, government policy, and economic barriers were found to be significant except procedural barriers. Figure 4.3 shows the graphical representation of the inner model and the significant paths suggested that all hypotheses were supported except the relationship between procedural barriers and export performance.

Hypothesis 1 states that the marketing barrier significantly affecting export performance. PLS-SEM result, as shown in Table 4.4, Figure 4.2, and Figure 4.3, confirm that the beta coefficient, p-values and t-values are significant (β1 = 0.143, p=0.000, T=4.921), showing marketing knowledge barriers significantly affecting export performance. Hence, H1 was supported. The finding of most studies have been largely consistent with the study made by Gebrewahid (2016) and Pillalamarri and Mekki (2016)also established that marketing knowledge barriers are significantly affecting export performance. A study made by Rhommadhonni and Dhewanto (2017) and Mokhethi (2019) also supported the result findings of this study.

Hypothesis 2 states that the human resource barrier significantly affecting export performance. PLS-SEM result, as shown in Table 4.4, Figure 4.2, and Figure 4.3, confirm that the beta coefficient, p-values and t-values are significant (β2 = 0.079, p=0.010, T=2.593), showing human resource barrier significantly affecting export performance. Hence, H2 was supported. Congruent with this finding, a study made by Cahen et al (2016) and Mokhethi (2019) also established that there is shortage of trained and qualified export marketing personnel, absence of experience in planning and executing export processes, internal organizational capability barrier,absence of domestic experts in export and inadequate diplomatic support were the major human resources barriers influencing export performance.

Hypothesis 3 which states that the financial resource barrier significantly affecting export performance, is accepted. PLS-SEM result, as shown in Table 4.4, Figure 4.2, and Figure 4.3, confirm that the beta coefficient, p-values and t-values are significant (β2 = 0.116, p=0.000, T=3.717), showing the financial resource barrier significantly affecting export performance. Hence, H3 was supported. Consistent with this study finding, a study made by (Gebrewahid, 2016; Miloloza, 2016; Sisay, 2018; Juniati, et al, 2019) were reported to be the most significant financial resources barriers affecting export performance.

Hypothesis 4 which states that the product quality barrier significantly affecting export performance, is accepted. PLS-SEM result, as shown in Table 4.4, Figure 4.2, and Figure 4.3, confirm that the beta coefficient, p-values and t-values are significant (β2 = 0.191, p=0.000, T=6.022), showing product quality barrier significantly affecting export performance. Hence, H4 was supported. The result of the study is consistent with the result of Rhommadhonni and Dhewanto (2017) concluded that the use of a foreign sales representative office, direct sourcing, and dealer support, and after-sale service were the significant factors affecting export performance.

Hypothesis 5 stating the competition barrier significantly affecting export performance, supported. PLS-SEM model, displayed in Table 4.4, Figure 4.2, and Figure 4.3, confirm that beta coefficient, p-values and t-values are significant (β2 = 0.064, p=0.027, T=2.217), showing strong relationship between competition barrier with the dependent variable export performance. Hence, H5 was supported. The finding of most studies have been largely consistent as confirmed by Juniati, et al (2019) argue that competition barrier affect export competitiveness of firms.

Hypothesis 6 stating that procedural barrier significantly affecting export performance, is not supported. PLS-SEM model, as shown in Table 4.4, Figure 4.2, and Figure 4.3, confirm that beta coefficient, p-values and t-values are insignificant (β2 = -0.080, p=0.328, T=0.979), showing no strong positive and significant relationship between procedural barrier and export performance. Hence, H6 was not supported. The finding of most studies have been largely not consistent with the study result (Gebrewahid, 2016).

Hypothesis 7 which states that the government policy barrier significantly affecting export performance, is supported. PLS-SEM model, as shown in Table 4.4, Figure 4.2, and Figure 4.3, confirm that beta coefficient, p-values and t-values are significant (β2 = 0.195, p=0.001, T=3.211), showing there is a strong positive and significant relationship between the government policy barrier and export performance. Hence, H7was supported. The study finding disclosed by Gebrewahid (2016) and Yogesh (2015) which is consistent with the study result. Finally,

Hypothesis 8 that is, H8: Economic barriers significantly affecting export performance. PLS-SEM model, as shown in Table 4.4, Figure 4.2., and Figure 4.3, confirmed that beta coefficient, p-values and t-values are significant (β2 = 0.494, p=0.000, T=5.813), showing a strong relationship between economic barrier with the dependent variable. Hence, H8was supported. Congruent with these findings, a study made by Pinho and Martins (2010) confirmed that extraordinary freight costs to foreign market place and the existence of highinterest rates in domestic currency were identified, and economic barriers affecting export performance.

V. Conclusions

The main aim of this study is to examinethe relationship between internationalization barriers and export performance by examining the measurement model. From the eight internationalization barriers variables, seven of them were reported to be significant except procedural barriers. On the basis of this study, the following conclusions were drawn.

As far as internationalization barriers were concerned the structural equation model result shows that internationalization barriers factors (i.e. marketing knowledge, financial resources, product quality, competition, procedural, government policy and economic barriers) have a strong positive and significant relationship with export performance except procedural barriers.

The finding of Fornell-Larcker criteria for discriminant validity result indicated that human resources barrier was the most influential internationalization barriers to have a positive and significant relationship with export performance of Textile and Garment enterprises in Ethiopia followed by marketing knowledge, economic, procedural, government policy, financial resources, product quality and competition barriers.

Finally, the eight internationalization barriers dimensions significantly explained the variations of export performance in the textile and Garment enterprises export performance by 91.9 percent but the rest 8.1 percent variation in export performance is explained by the other internationalization barriers which were not included in this study.

VI. Recommendations

Based on the findings and conclusions reached, the researcher forwarded the following recommendations focusing on issues, which may have managerial and policy implications:

- The result of the structural equation model revealed that, marketing barriers were revealed as one barrier of Textile and Garment enterprises. The result of the study disclosed that marketing barriers. To overcome marketing barriers, enterprises need to develop products based on global requirement that would help in standardizing production processes and reduce adaptation costs. Formation of strategic alliances would also help to bring down distribution and logistics cost.

- The result of the structural equation model revealed that, human and financial resources barriers were reported to be significant. To overcome the human and financial resources constraints, textile and garment enterprises use the management team's international experience to arrive at decisions and not necessarily depend on the CEOs knowledge. Also, the formation of strategic alliance formation considerably reduces the resource constraints.In addition, the government should undertake huge infrastructure projects, consequently that financing all the Medium and Large scale textile and garment enterprises. Moreover, working with different international organizations for support.

- The result of the structural equation model revealed that, government policy barriers were reported to be significant. So, to overcome both governmental policy and external marketing barriers on textile and garment enterprises would need both support and guidance from the governmental organizations and policy makers and the government should encourage vibrant policy on export towards enabling environment for export performance in order to alleviate barriers occurred due to competition, government policy and economic barriers.

- The result of the structural equation model revealed that, financial resources barriers were revealed as one barrier of Textile and Garment enterprises. Therefore, government should support medium and large textile and garment enterprises to export as much as they do with multinational enterprises. Since encouraging Medium and Large scale textile and garment enterprises involvement in to the international market would benefit more. The government is undertaking huge infrastructure projects, consequently that financing all the Medium and Large scale enterprises a bit challenging. Moreover, working with different international organizations to support Textile and Garment enterprises. In addition to the financing institutions, the country needs to have different institutions which work to find market for Medium and Large scale enterprises and export promotion activities.

VII. Implications for further research

This study was aimed to investigate the internationalization barriers of medium and large scale textile and garment enterprises in Ethiopia. The sample was drawn only from managers of the enterprises and future researchers should have to draw sample of respondents on more number from other industries for the purpose of general visibility of the study. This study only encompasses eight internationalization barriers dimensions: marketing, human resource, financial resources, product quality, procedural, competition, economic and government policy internationalization barriers and continuous improvement that accounts only 91.9 percent of the variance in export performance. The rest 8.1 percent is due to the other factors that may be perceived as important internationalization barriers by other researchers but they were excluded from this study. Therefore such variables should be incorporated in order to find the relationship between internationalization barriers and export performance. Finally, conducting a replication study in other manufacturing industry is also needed in food products and beverages, weaving apparel, tanning and dressing of leather, luggage, handbags, footwear, chemicals and chemical products, metallic mineral products, etc.

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