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## RESEARCH ARTICLE

### FACTORS AFFECTING ETHIOPIAN FLOWER COMPANIES' EXPORT PERFORMANCE: CASE OF AROUND ADDIS ABABA CITY FLOWER FARMS

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#### ABSTRACT

The study was conducted on the factors that affect Ethiopian flower companies' export performance which are located around Addis Ababa. Accordingly, in order to achieve the overall objective of the study, the researchers selected the flower companies through convenience sampling and distributed questionnaires for the Marketing, Production and General Managers through judgmental sampling which was based on their field of study or duty. Therefore, among 80 flower companies which are located in different region of Ethiopia, the questionnaires distributed to 120 Marketing, Production and General Managers of 40 flower companies. The data collected through questionnaires were analyzed quantitatively through descriptive ways. Whereas, those data collected through open ended and secondary data were analyzed their contents through qualitative approach. From the data analysis, the result of the study shows that in Ethiopia, the factors that contribute for the growth of flower export performance include: attractive climate, the availability of natural resource like water, incentives provided by the government like land, good investment laws, and Ethiopia proximity to the global market, efficient Ethiopian airlines and the availability of abundant and cheap labor force. However, untrained labor, shortage of finance, high cost of production, expensive air freight cost, market limitation, price fluctuation, short loan payment period, poor packaging, and flower diseases are some of the factors that negatively affect growth of flower export. Therefore, the owners need to train the employees on overall activities, expand their markets to the current developed countries, get loan from importers or organize exporters to open their saving account jointly from their income and try to produce inputs locally in order to improve the selected Ethiopian flower companies' export performance.

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#### INTRODUCTION

Cut flowers are one of the major globally produced commercial mass production items (Kendirli *et al.*, 2007). In the early 20th century, especially after the Second World War II, Cut flower production in the world gained acceptance. Due to this, fast growth and changes have occurred in the cut flower production, storage, classification and marketing. As a result of this change, new techniques and technologies are used in the cut flower industry from production to consumption (Aysel, 2009). According to Rikken, (2011) at present-day, flower industry is changing a faster rate and has become a highly worldwide industry. In the past few decades, significant growth rates have been achieved and the leading flower exporting countries have been the Holland, Israel, Colombia, Ecuador and Kenya, The Dutch floriculture industry is generally known as the leading industry in the world.

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The country exported 639,000 tons of flowers and has got 3,151 billion euro with area harvesting of 5331 hectare. (HBAG, 2011). In case of Africa, there are many countries which export flower to the rest of the world. Among these Kenya has been one of the largest cut flower exporters in Africa, and takes the 4<sup>th</sup> rank next to Holland, Colombia and Ecuador. There are about 3,400 hectares of flowers with 117,000 tones of flowers with the income of 500 million euro. (KFC, 2011). Ethiopian export, just like most under developed countries, is dominated by some agricultural related products such as coffee, chat and other. Due to this, the country economic performance corresponds to the fluctuation of income earned from these few exports. To this effect, Ethiopia is expected to diversify its export products. Among the most export products, Ethiopia export flower to the international market. The cut-flower industry is, without doubt, Ethiopia's most important success story. It is probably the country's best example of identifying a globally competitive niche, exploring natural resources for product diversification, generating employment and attracting foreign direct investment (EHPEA Code of Practice for Sustainable Flower Production, 2011).

Ethiopia has become one of the largest cut flower exporters in Africa. There was no significant flower industry in the country until 2004. After Seven years, according to official sources, the sector counts 1,600 hectares of which the lion's share is taken up by rose farms with exporting of 50000 tons of flowers and earns 146 million Euros. Floriculture has now become one of Ethiopia's main export sectors. Innovation in the flower industry is largely driven by foreign investors. The floriculture industry of Ethiopia is one of the fastest growing flower industries in the sub-Saharan Africa. The Ethiopian flower industry currently ranks 22<sup>nd</sup> amongst world exporters of floriculture products. There are about 80 flower farms in Ethiopia. Ethiopia grows different flowers like Roses, Carnations, Carthamus and Satice. The flower sector create employment for over 50,000 persons (permanent and temporary), and one of top five products that enable the country to earn foreign exchange. The Ethiopian flower industry is an export-oriented industry. About 40 percent of the farms are fully foreign owned, 23 percent are joint ventures, and 36 percent are fully domestic owned (Mulu *et al.*, 2010)

On the other hand, in case of Mali, the main causes of the failure of the Malawian horticultural exporting farms were absence of financial support, poor grading, inappropriate packaging, and high internal cost of transportation, expensive freight and inadequate infrastructure. Additionally, there was no proper irrigation system on the farms and no cold rooms on the farms to lower the temperature of the vegetables before packaging. These reasons ultimately led to low quality of exports. (Di Meo, 1988). There are different like cold stores with necessary equipments, flower exchanges, and transportation is factors affecting the flower export Aysel (2009).

According to the above findings production area, economic crisis, insulation, suitable heating, organized agricultural zone, labor and energy cost, and cold stores with necessary equipments, were the main factors that affect the flower production and export performance. Ethiopians' Flowers are mainly exported to Europe; but Holland takes the lead by importing 141 million dollars worth of flowers. (Access Capital, 2011). According to Ministry of Agriculture (2011), Ethiopia had planned to collect 156 million US dollars from flowers, vegetables and fruits but only 91.3 million US dollar collected from the mentioned sector. So that, the overall export performance of the sector is far below expectations in generating foreign currency. Even though Floriculture is now one of Ethiopia's main export sectors, and is contributing a lot to the country's economic development, some flower companies becoming out of market. This shows that there might be different factors that contributed for the closure of these companies like internal and external factors.

Therefore, the researcher has initiated to check whether or not the above internal and external factors affect the selected Ethiopian flower companies' export performance. More specifically, the study met the following specific objectives:

- Investigate whether the internal factors like financial, production and human resource have an impact on the Ethiopian flower export performance.
- Find out the internal specific challenges that hinder flower export performance.
- Find out the role of the external factors like government, EHPEA, infrastructure and other factors that contributed for the failure/success of Ethiopian flower export performance.

### **Factors affecting flower export performance**

Obviously there are different specific factors that affect the export performance of flower industry which varies from one nation to the other nation. According to Bacchetta, (2007), a country's flower export performances are determined by two critical factors. These are internal and external environment conditions. Actually there are a lot of factors which are grouped under both internal and external factors. But, due to the scope of the study, the researcher emphasis only on some internal factors and external factors that affect the flower export performance.

#### **Internal Environment**

It involves different elements or variables that are found inside of the organization and that affect the export performance of flowers. These are: The management related factors include financial management, marketing management, good leadership and human resources related factors.

#### **Financial management and export performance**

#### **Operational costs and financing, export performance**

According to Bolo *et al.* (2006), the vital mechanism in minimizing the cost of operation is to find different ways to put together both small– medium scale growers into large scale producer's supply chains and continuing to integrate technology and tough environmental standards into production activities. In order to cover this cost, the industry must get financial accessibility from different institution. According to Dodd (2010), some banks believe that lending money for flower industry is risky due to the characteristics of the industry like takes long life of production cycle compared to manufacturing industry i.e. nearly three years for the flower industry compared to just 210 days for the manufacturing industry, dependency on customer tastes / trends in the end market, perish ability of flower ; needs constant water supply; inadequate industry knowledge within the industry and knowledge within the banking industry; market issues such as airfreight cost versus competition. To expand the current operations, considerable financing is required, and according to the research findings Malawian banks are not willing to finance agricultural activities, especially after the failure of Lingadzi Farms. Finance is the main cause of business success. Most works, however, use finance as a predictor of potential business failure (bankruptcy) and it is suggested that weak cash flow is due to business-related causes rather than being the cause of business failure itself. (Ooghe *et al.*, 2008)

## Production management

### Research Development and Export Performance

In order to make the research findings to be use full, it must focus on the needs of local communities and other stake holders. The research that emphasis on flower industry, farmers and exporters are the main stakeholders and their ideas can help to inform research decision. These are vital in developing or improving the performance of the floriculture industry. The issues raised would be like: quality of inputs; post harvest handling and marketing (Awuor, 2011). According to Oyelaran, (2007), the Innovations Systems stand point integrates both the market-based association along the value chain and other horizontal linkages needed for innovation and capacity building

### Suitable Packaging and export performance

According to Prahalathan *et al.* (2003) the overall quality of flowers being exported is reduced by the low quality of packaging. High weights of the packaging materials raise the transportation cost of the exported flowers, which in turn reduces their price competitiveness abroad. Furthermore the use of innovative packaging techniques, moving to the protection requirements of the international markets, which are environmentally responsive, are other mechanism of gaining competitive advantage in the international flower markets. There are a lot of shapes of packing containers for cut flowers, but many of them are long and flat, and a full telescoping design (top completely overlaps the bottom). This design limits the depth of the flowers in the box, which minimizes the physical damage of the flowers. Additionally, flower heads can be located at both ends of the container for appropriate use of space. Whole layers of papers have often been used to avoid the layers of flowers from damaging each other. The use of small pieces of paper to protect only the flower heads, however, is a better activity, since it allows for more efficient cooling of flowers after packing. It is vitally important that containers be packed in such a way that transport damage is reduced. (Reid, n.d) Kenyan floriculture gets benefits from the local private provision of packaging materials. The state in turn, gives human resources through the education system and relatively efficient infrastructural and cargo handling services (KFC, 2010).

### Production technology and export performance

According to Sonobe, (2011), one of the key challenges of production technology in the flower industry is access to improved planting materials and adaptation to local conditions. Differentiation in the flower industry is mainly achieved through increasing or changing the flower varieties.

### Quality Control

Due to the quality pressures from the West and to the demanding and ever changing safety and environmental standards needed, the industry should presents a unique opportunity to be a leader in social change in these exporting countries. (Perry, 2011) According to Dickey, (2011), the quality of cut flowers are determined by like cutting stems

under water, absorption of water by cut flowers stems, use of chemicals and use of cold storage. There are few official grade standards for cut flowers. Some marketing channels, for example the British mass market chains and the Dutch auctions, have internal quality control systems that provide a check on quality of flowers. The most important quality parameter is "freshness" or vase life. This parameter is difficult to assess visually, but because of its importance, producers and receivers should set up a "quality control" program that would involve evaluation of the vase life of representative flowers on a continuing basis (USITC, 2003)

### Postharvest Management Techniques

According to Gast, (1997), once harvested, there are interlinked tasks are done to prepare the flowers for market. These are collectively called post handling. These handling steps include

Grading, Leaf Removal, Bunching, Re cutting, Hydration, Special Treatments, Packing, Pre cooling, Cold Storage and Delivery to Market. Similar to the above, Kirti (2006) has also list about post harvest management of cut flowers like: Sort the flowers according to the following: cultivate, stage of maturity, extent of damage due to diseases, abnormal flower parts and defects of color, grade according to stem length or size, bunch flowers according to cost, amount, exposure to injury, and exhibit quality of individual flower heads, tie bunches below the head of flower, and about two inches from the cut flower stem ends. Tying must not be too loose and too tight rubber bands are best, because they can hold bunches securely. Do not close the top of the sleeve, arrange in layers according to type.

### Skilled Manpower and Training

According to SADC, (2007), growing cut flowers need highly specialized skills that can only be obtained after several years of training and practicing. Necessary managerial skills to guide cut flower firms to success are another significant key pre-requisite. (Jaffee *et al.*, 1999) As Whitaker *et al.* (2004) mention, it is possible to gain skills through the use of foreign intermediaries like wholesalers, consultants and others and the number of floriculture expatriate specialists and expertise with technical or management skills in the Kenyan cut flower industry is rather few in number compared to the large number of semi-skilled women and casual employees involved in this industry. Zimbabwean growers of flowers have utilized Dutch and Israeli consultants to develop their cut flower industry (Malter *et al.*, 1999). These experts can be specialists or sales people who have the important information of the export markets. Intermediaries can also give the necessary finance to the local entrepreneurs. In the 1960s during beginning of the Columbia cut flower industry, wage differentials between Colombia and the USA gave Columbia a 41% lower or reduced production (Mendez, 2001)

### Marketing Management Functions

#### Marketing Information and IT

The accessibility of relevant information and on time dissemination is a vital for the success of flower business.

The raise of coordination and harmony by supermarkets for supply logistics, such as, track ordering and sales, and recognition of their customer base; and arranging storage, delivery and transport; have an implications on the development of IT systems at the supply base (Sultan, 2012). The other main factor that affects export performance of a country is deals with the external market access conditions for its exports (UNCTAD, 2005). External market access both interventions by trading partners, and the measures implemented by the exporting country to provide it's exportable with a price advantage need a great concern (McCarthy, 2008).

### Marketing Strategy

Obviously strategies are formulated in order to provide superior customer value. While formulating marketing strategies, the 4-ps are directed toward the target market like Product, Price, Distribution, (Place), Promotion and Service (Kotler, 2004). Due to the highly perishable nature of their product, fresh cut flower growers must develop an intensive marketing strategy (Greer, 2013).

### External Factors

#### Government Incentives / Initiatives

According to the research conducted in East Africa, the authorities are not able to provide adequate education, health and housing facilities due to the massive population increase. Attempts to introduce or increase levies are met with stiff resistance from the flower lobbies with threats to relocate. In any case, the local authorities are also bound by laws that protect foreign direct investments from such taxation. The situation results in a contradiction – the flower farms are always complaining of the poor infrastructure and road systems and calling on the governments to improve this while at the same time threatening to relocate if the local authorities make them pay levies. (Mosioma, 2010) However as research conducted in India, various incentives are being offered by the Government of India, which have enabled the setting up of a number of floriculture units for producing and exporting flowers.

Tax benefits are offered to new export oriented floriculture companies in the form of income-tax holidays and exemption from certain import duties. Duties have been reduced for import of flower seeds and tissue-cultured plants. Financial support is provided for setting up of pre-cooling and cold storage units (Prahalthan *et al.*, 2003). In case of Ecuador, the cut flower sector does not receive any export subsidies or benefits from the government. Most assistance comes from the sector itself, provided through the various associations that exist, and in particular EXPOFLORES. Its main objective is to promote and strengthen the prestige of the Ecuadorian flower-producing sector at the national and international levels, in terms of human, ecological, commercial, logistics and technological development whilst conserving the environment. (EXPOFLORES, 2005)

### Ethiopian Horticulture Producers and Export Associations

The objective of the EHPEA is to provide a mechanism that enables the Ethiopian floriculture sector to achieve the highest performance standards by continuous improvement and sustainable development and thereby improving the farm overall performance and competitive position in the market. (EHPEA Code of Practice, 2011)

### Causes of Business Success

According to Zahra, (2011), the causes of business failures are like lack of financial support from banks and financial institutions, inaccurate evaluation of project, unclear determination of business sector, inconsideration of market issues problems in product or service, supply lack of related expertise, experience and good work relationships management deficiency, cheating and fraud, substituted product or service and insufficient government policies. On the other hand, according to Eccoggin, (2010), has identified different factors that contribute for the success and failures of business these are empowering leadership, well-defined vision, relevant knowledge of the business market, detailed business plan, availability of financing, solid customer relations management, well-managed supply chain, proper timing and well-devised decision making system

### Data and Research Methods

To conduct this research, cross sectional survey design method was employed which is descriptive in nature. The study used both qualitative and quantitative types of data were used. Because, in case of qualitative type, the researchers used open ended questions to look for in depth information about qualitative elements such as the feeling and attitude of managers toward their companies' flower export performance. In case of quantitative, the study employed close ended questions which were appropriate for analyzing the table by using descriptive statics such as percentages, frequency and mean.

For this study both primarily and secondary data were used. The reason is that, the researchers needed first hand information which is accurate and valid from respondents who were relevant for the study like General Manager, Marketing Manager and Production Manager of some Ethiopian flower companies by using questionnaires. On the other hand, secondary data were used to support original information. Therefore, brochures and yearly reports of the Ethiopian flower companies, published articles, journals, Magazines were used in the study.

### Target Population and Sampling

The total population for this study is 80 companies. However, using convenience sampling method, the researchers took 40 flower companies which are located around Addis Ababa. The questionnaires distributed to the appropriate respondents like Marketing, Production and General Managers through using purposive (judgmental) sampling. The reason behind is that, these respondents were relevant for the study and have knowledge on their companies' export performance than other workers.

For instance, the head of marketing and production, filled questionnaires on the marketing and production related factors that affect their companies export performance respectively. For the external issues and overall companies' related factors that affect export performance, General Managers were filled questionnaires. As a result of this, the researchers intentionally selected those respondents for the study.

### Method of Data Analysis

After the data collected from the respondents through questionnaires and secondary data from different sources, the researchers analyzed the data, facts and figures in order to know their features, comparing with theories, inter relationship, cause and effect relationship and drawing conclusion by using descriptive statistical method such as mean, percentage, and frequency was used to describe what is observed through Tables. Besides another important task was to interpret the conclusion that made in data analysis because without it, the data analysis is meaningless. Hence, those data that were analyzed are discussed by using mean score since the researchers used five point Likert scale, the mean score of greater than 3.0 was considered as agreement, less than 3.0 was disagreement and the mean score of 3.0 was assumed as midpoint or neutral.

## RESULTS AND DISCUSSION

### Marketing Related Data Analysis and Discussion

Under the marketing related factors, different indicators were asked and responded by the selected Ethiopian flower companies' Marketing Managers. Therefore, the Marketing Managers reflected their feeling on several factors that affect their flower export performance.

### Information Regarding Customer Needs

Accordingly to the above Table 4.1, 26(65%) and 7(17.5%) of the respondents replied that they disagreed and strongly disagreed with the statement respectively.

**Table 4.1. Information regarding customer needs**

The Company Lacks Information Regarding Customers Need				
Responses	Frequency	Percent	Valid Percent	Mean
Strongly disagree	7	17.5	17.5	
Disagree	26	65.0	65.0	
Agree	5	12.5	12.5	2.23
Strongly agree	2	5.0	5.0	
Total	40	100.0	100.0	

Source: own survey, 2013

However 5(12.5%) and the remaining 2(5.0%) of the respondents were agreed and strongly agreed with the statement, respectively. The mean scores of the marketing managers' response to the above statement are 2.23. This implies that the majority of the flower companies have no lack of information regarding customers' need and they received marketing information from importing companies. This finding similar to the research conducted in Bangladesh is that most of the exporters have got their market information from market visit and personal interview and fellow traders which are necessary for the success of their business (Nusrat, 2012).

### Quality of Flowers

The "freshness" or vase life is the most significant quality parameter of flower. Even though this parameter is difficult to assess visually, but because of its significance, producers and receivers should set up a "quality control" program that would involve evaluation of the vase life of representative flowers on a continuing basis (USITC, 2003) Accordingly, the marketing managers of different flower companies were asked whether their companies produce quality flowers. So the following Table 4.2 briefly shows the response of them.

**Table: 4.2. Quality of Flowers**

The quality of the company's flower is poor				
Responses	Frequency	Percent	Valid Percent	Mean
Strongly disagree	30	75.0	75.0	1.98
Agree	1	2.5	2.5	
Strongly agree	9	22.5	22.5	
Total	40	100.0	100.0	

Looking at Table 4.2, one can notice that more than half of marketing managers 30(75%) feel that their company produce high quality of the flower. The remaining 9 (22.5%) and 1(2.5%) of the respondents replied that they strongly agreed and agreed with the above statement. Moreover according to Table 4.5, the mean score of marketing managers' response on the above statement is 1.98. This implies that the majority of the respondents opposed the statement or disagreed with the statement. According to Wiegel (2012), better quality of flowers will lead to increasing sales and less waste. Therefore the analysis shows that many flower companies are selling quality flowers.

### Market Expansion

According to M3 (2012), overdependence on a single customer is the causes of business failures. Accordingly, the marketing managers of some Ethiopian flower companies were asked whether their companies are expanding their markets across different countries. So the following Table 4.5 briefly shows the response of them. The above Table 4.3, shows that more than half 28(87.55%) of the marketing managers agreed 28(70%) strongly agreed plus 7(17.5%) agree the statement' the company doesn't expands its market to different foreign countries'.

**Table 4.3. The Extent to Which the Flower Companies Expand Their Market**

The Company doesn't expand its market to other foreign countries				
Responses	Frequency	Percent	Valid Percent	Mean
Disagree	2	5.0	5.0	
Neither agree nor disagree	3	7.5	7.5	
Agree	7	17.5	17.5	4.52
strongly agree	28	70.0	70.0	
Total	40	100.0	100.0	

Source: own survey, 2013

While 3(7.5%) of the respondents did not give their agreement/disagreement and the remaining 2(5%) of the respondents disagree with the above description. Moreover the mean score of the above statement is 4.52. This implies that the largest proportion of marketing managers agreed that their company doesn't expand its market to different foreign countries.

Similar to Ethiopia, according to research conducted in Kenya by Nancy *et al.* (2011), commands a 1.5% share of the EU and a negligible share of the Japan and the USA markets. Kenya's main competitors, for instance, Colombia have a comparative advantage in the USA and Japan, and it controls more than 50% of the market in the USA, about 3.5% in Japan and an estimated 1% in the EU. As information collected from respondents through open ended questions indicate, they couldn't expand their market to different countries like Russia. The main reason is that the Ethiopian Airlines did not have flights to Russia therefore it was difficult for them to enter to the Russian market which has a large demand for the flowers exchange. The other thing is that the flower exporters are forced to sell to the Netherland companies which have a mental agreement with the Russian government 'not to purchase from the other exporters except from them'. As a result of this, other countries' flowers cannot be entering to the Russian markets.

Resembles to this, the Netherland exporters sell the flower to the Russian market by using their own trade mark (Netherland's tag). Also, most of the Russian airports are dominated or owned by private investors and they request them expensive landing fees. Moreover, the Ethiopian flower companies get 0.1US dollar profit from each flower stem while selling to Holland companies but the Holland companies generate 0.9 US Dollar profit from each stem when they sell directly to Russian markets. According to Et This Week, (2013), about 85 percent of Ethiopia's flowers are exported to Europe, which is currently highly affected by economic crisis. As data collected from General Managers through open ended form, in order to enter in to the foreign market, all exporters of cut flowers are required to meet the minimum standard (Bronze level). Higher standards are Silver and a Gold Level. Generally, in Ethiopia unlike that of Kenya, the analysis shows that the majority of the flower companies have a problem with in expansion of their markets to different parts of the world.

### The Level of Distribution of Flowers

When flowers are grown in favorable conditions, it allows for a stable supply of cut flowers of constantly reliable quality. (JETRO, 2011) Accordingly, the marketing managers of different flower companies were asked whether the flower companies were inconsistently distributing the flowers to their customers. According to Table 4.4, more than half 27(67.5%) of the marketing managers agreed 17(42.5%) strongly agreed plus 10(25%) agreed) the statement 'the company is inconsistently distributing the flower to the markets that reduced the sales of the flower.' on the other hand, 8(20%) and 5(12.5%) of the respondents disagreed and strongly disagreed, respectively adding up to 13(32.5%) against for the statement. The mean score of the Marketing Managers response is 3.65.

**Table 4.4. The Level of Distribution of Flowers**

<b>The Company Does Not Consistently Distribute the Flower</b>				
Response	Frequency	Percent	Valid Percent	Mean
Strongly disagree	5	12.5	12.5	3.65
Disagree	8	20.0	20.0	
Agree	10	25.0	25.0	
Strongly agree	17	42.5	42.5	
Total	40	100.0	100.0	

Source: own survey, 2013

This indicates that the largest proportion of respondents replied that flower companies are inconsistently distributing the flowers, in which this reason their sales volume is negatively affected. As data collected through open ended questions, shows the Ethiopian flower companies have unstable market due to this they are forced to inconsistently distribute the flowers to the markets which are connected with the current economic crisis. Similar to Ethiopian flower sale situation according to Rikken, (2011), the production of flowers in Colombia and Ecuador has dropped due to economic crisis in recent years have shown to have a major impact on the competitiveness of companies active in the flower business. Generally, the inconsistent distribution of flowers has negatively affected the majority of the selected Ethiopian flower exporting companies.

### The Impact of New Competitors on Sales Volume of the Flower Company

In Ethiopian many investors have been engaging on flower industries. Therefore, the researcher asked some flower companies whether the new entrants have brought a change on the sales volume each flower companies which are presented on the following Table. Table 4.5 clearly indicates that more than half (52.5%) of the marketing managers agreed 13(32.5%) strongly agreed plus 8(20%) agreed) the statement 'the new competitors highly reduce the sales of the company' on the other hand, 8(20%) and 7(17.5%) were strongly disagreed and disagreed, respectively adding up to 15(37.5%) against for the statement. The remaining 4(10%) of the respondents were neutral to the statement. The mean score of the marketing managers' response is 3.27. This indicates that relatively the respondents were shown their agreement for the above statement. Similar to Ethiopian florist condition, as research conducted in South Africa are now relying on countries like Kenya that deliver them with flowers rather than compete with them (Ross, 2011). Generally, relatively the new entrants of flower exporters highly reduce the sales of the flower companies.

### The Effect of Packaging of Flowers on Quality of Flowers

Accordingly, Table 4.6 reveals that 20(50%) and 12 (30%) of marketing managers responded that they agreed and strongly agreed with the statement. On the other hand 3 (7.5%) of them disagreed, 2(5%) of them have strongly disagreed and the remaining 3(7.5%) of them neither agreed nor disagreed (neutral). The mean score of the marketing managers' response on the statement is 3.97. This implies that the respondents agreed with the statement. Based on data collected from respondents through open ended questions, the flower packages most of the time becomes crushed due to the mass handling of flowers in airport through using of pallets which is an open ended box used to handle flowers and vegetables. In addition, the packages are not supplied adequately and sold expensively. According to Clement (2007), packaging as one of the good feature has a critical contribution in attracting consumers. Quality of packaging inspires superior quality of good. According to Ethiopia business news (2012), which was written by Meron shows that an estimated 30% of Ethiopian flower exports have been damaged for the last six years due to the low standard of packaging in use.

**Table 4.5. The Impact of New Competitors on Sales Volume of the Flower Company**

<b>The New Competitors Highly Reduce the Sales of the Company</b>				
Response	Frequency	Percent	Valid Percent	Mean
Strongly disagree	8	20.0	20.0	
Disagree	7	17.5	17.5	
Neither agree nor disagree	4	10.0	10.0	
Agree	8	20.0	20.0	3.27
Strongly agree	13	32.5	32.5	
Total	40	100.0	100.0	

Source: own survey, 2013

**Table 4.6. The Appropriate Use of Packaging of Flowers**

<b>The Company Is Unable To Meet Appropriate Packaging Standards</b>				
Response	Frequency	Percent	Valid Percent	Mean
Strongly disagree	2	5.0	5.0	3.97
Disagree	3	7.5	7.5	
Neither agree nor disagree	3	7.5	7.5	
Agree	20	50.0	50.0	
Strongly agree	12	30.0	30.0	
Total	40	100.0	100.0	

Source: own survey, 2013

**Table 4.7. The level of cost that incurred by flower companies**

<b>The company incurs high costs of inputs</b>				
Response	Frequency	Percent	Valid Percent	Mean
Agree	9	22.5	22.5	4.78
Strongly agree	31	77.5	77.5	
Total	40	100.0	100.0	

Source: own survey, 2013

**Table 4.8. Workers Knowledge on Handling of Flowers during Post Harvesting**

<b>Workers Have Poor Knowledge on Handling Flowers during Post Harvesting</b>				
Response	Frequency	Percent	Valid Percent	Mean
Strongly disagree	3	7.5	7.5	3.4
Disagree	6	15.0	15.0	
Neither agree nor Disagree	5	12.5	12.5	
Agree	24	60.0	60.0	
Strongly agree	2	5.0	5.0	
Total	40	100.0	100.0	

Source: own survey, 2013

Therefore, generally, the analysis also shows that the majority of flower producers are not using appropriate packaging to protect flowers from damage.

## Production Related Data Analysis and Discussion

### Cost of Inputs

According to Donnell (2012), most producers want to produce as profitably as possible. Establishing economic goals is the first step towards profitability. After establishing goals, producers get advantage by developing a management mindset that is centered on a business approach. This requires understanding the costs of effort, time, and inputs needed to produce and market the product like fertilizer prices impact on production costs that force the companies to sell at higher price and leads to lower demand. Accordingly, the researcher asked the production managers of some flower companies whether companies have incurred high production cost. Therefore, the following table tells us about it. As Table 4.7 shows, 31 (77.5%) of the respondents have strongly agreed with that their company is incurring high cost of inputs. The remaining 9(22.5%) of them also agreed with it and making the agreement rate 100% (77.5%strongly agree plus 22.5% agree).

Furthermore, the mean score of the respondents is 4.78.This shows that almost all respondents agreed that their companies incurred high cost of inputs to run the business.

### Post Harvesting Handling Knowledge

As it can be seen from Table 4.8, respondent were asked to respond on whether the company's workers have poor knowledge on handling of flowers during post harvesting period or not. Accordingly, out of 40 respondents, 24(60%) of them have agreed and 2(5%) strongly agreed, making 26 (65%) agreement rate. On the other hand, 6(15%) of them disagreed and 3(7.5%) strongly disagreed, adding up to 9(22.5%) agreement rate on the statement. Finally the remaining 5(12.5%) of the respondents are neutral or neither agreed nor disagreed with the statement. More over the mean score of the respondent is 3.4, which shows that the majority of the respondents have agreed with statement. According to the government of Sindh, (2010), workers are expected during the Post Harvest which highly reduce the level of post harvest losses and influence quality of production include grading, packing, pre-cooling, storage, transportation, cleaning, curving disease or insect control, waxing and repairing technology.

However, generally, the majority of the selected Ethiopian flower companies' farmers have no adequate knowledge on how to handle flowers during post harvesting period. Table 4.9 clearly indicate that out of the 40 respondents, 38(95%, including 82.5% strongly agree plus 12.5% agree) of them shown their agreement with the statement 'the company's flowers are affected by flower diseases which kills their life. The analysis shows that almost all respondents have agreed with the statement. This is also reflected by 4.72 the mean score of the production managers' response. The remaining 2 (5%) respondents disagreed with it. According to KFC, (2012) some flowers companies affected by the flower diseases whose control options limited or completely not available in Kenya. Similar to Kenya, as the table shows that the majority of the flower companies are affected by the flowers disease. This implies that, the selected flower companies' volume of production is negatively affected.

Accordingly, 70% (50% disagree plus 20% strongly disagree) of the respondents had responded that their companies have seed multiplication center. However 30% (15% agree plus 15% strongly agreed) of them replied that their companies have no seed multiplication center. The analysis shows that the majority of the respondents opposed the statement. This is also reflected by 2.55 mean score of respondents' response. This shows that many respondents disagreed with the above statement. According to Janssen, (2012), the key to the success of Chrystal international flower company is to a large extent based on doing the research and development. Customers really appreciate it and believe in the quality that they bring them. Generally, even though some flower companies have no seed multiplication center, the majority of the selected Ethiopian flower companies have seed multiplication center which helps to raise the volume of the production and export performance of flowers.

**Table 4.9. The Impact of Flower Disease on Ethiopian Flower Companies**

<b>The Company faces the diseases of flowers</b>				
Response	Frequency	Percent	Valid Percent	Mean
Disagree	2	5.0	5.0	4.72
Agree	5	12.5	12.5	
Strongly agree	33	82.5	82.5	
Total	40	100.0	100.0	

Source: own survey, 2013

**Table 4.10. The Possibility of Having Seed Multiplication Centre**

<b>The Company Has No Seed Multiplication Center</b>				
Response	Frequency	Percent	Valid Percent	Mean
Strongly disagree	8	20.0	20.0	2.55
Disagree	20	50.0	50.0	
Agree	6	15.0	15.0	
Strongly agree	6	15.0	15.0	
Total	40	100.0	100.0	

Source: own survey, 2013

**Table 4.11. The Tax Payment Rate Charges of Flower Companies**

<b>The Company Pays High Taxes To The Ethiopian Government</b>				
Response	Frequency	Percent	Valid Percent	Mean
Strongly disagree	7	17.5	17.5	2.3
Disagree	26	65.0	65.0	
Agree	2	5.0	5.0	
Strongly agree	5	12.5	12.5	
Total	40	100.0	100.0	

Source: own survey, 2013

## Research and Development Centre

Flower companies should be supported by well-developed services in terms of research and development. The driving force for the success of the industry is related to a drive for innovation and a strong sense of cooperation. (World Bank, 2009) According to Rikken, (2011), a key component of competitiveness is the ability to innovate. Without an innovative capacity, any industry will fall behind its competitors. To conclude, these writers describe that research and development center is necessary to raise the competitiveness of the flower companies. So, the production managers of different flower companies were asked whether their companies have seed multiplication or research and development center. Table 4.10 shows that, respondents were asked whether their companies have seed multiplication center (research and development center) or not.

## External Factors Related Data Analysis and Discussion

### Tax Payments Condition

The above Table 4.11 implies that the majority 33(82.5%) of the general managers opposed (26(65%) disagree plus 7 (17.5%) strongly disagree) the above statement that their company didn't pay high tax. However, 5(12.5%) and 2(5%) of them have strongly agreed and agreed that their companies pays high tax to carry out their business and making the agreement rate 7(17.5%). The mean score of the analysis is 2.3, which implies that the respondents' response resembles to the disagreement with the statement. More over as respondents responded their opinion through open ended questions the government of Ethiopia attracts investors through providing a five year tax break.



According to Kubwalo, (2009), the Malawian government eliminated all export taxes, and also waived or leaves all taxes on production inputs. Therefore, similar to Malawi florists, the analysis shows that the majority of the flower companies are not paying high tax to the government. This implies that, low tax rate and tax break have contribution for the flower companies to improve their export performance. For instance, it reduces their costs and raises their participation in exporting of flowers. Besides to this, the government provides these incentives as away to attract foreign investors. Therefore, the tax rate situation positively affects the export performance of the selected Ethiopian flower companies.

**The Role of Foreign Experts on Flower Sector Development**

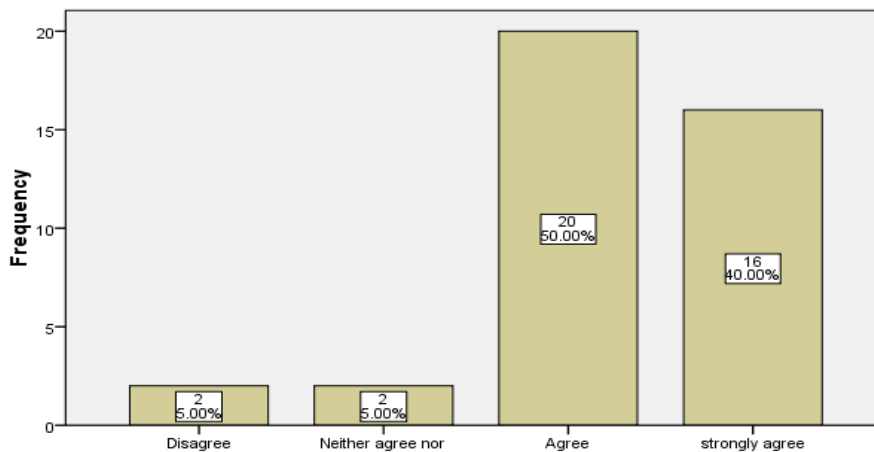
Looking at Figure 4.1, one can understand that almost all of the general managers 36 (90%), including 20 (50%) agree and 16(40%) strongly agree, perceive that the government does not facilitate foreign experts to provide training on flower production related activities. However, 2(5%) of the respondents replied that the government facilitate foreign experts to provide training on flower production related activities. The remaining 2(5%) of the respondents were neutral with the above statements. Furthermore, the mean score of the general managers’ response is 4.25; reflects that the majority of the respondents were supporting the above statement. Therefore, though flower experts are critical for the success of the business, according to the analysis, the government of Ethiopia does not facilitate foreign experts to provide training for flower companies to improve their overall activities since this sector plays a critical role for both government and citizens of this country.

**The Role of Government Export Policy**

As it can be seen from Figure 4.2, general managers were asked to express their feeling on the export policy of the government whether it encourage or discourage their sales volume. Accordingly, out of the total 40 respondents, 35(87.5%) of them have strongly disagreed and the remaining 5(12.5%) of the general managers have disagreed with the statement, ‘the export policy followed by the government discourage the company to raise its sale ‘and making the disagreement rate 100%.More over the score of the respondents’ score is 1.12; indicating that almost all respondents have shown their disagreement to the above statement. According to the open ended answers by the respondents, the government of Ethiopia support the flower sector by providing free land and with cheaper fee ,cheaper power , allowing the companies to import vehicles without duty. Moreover, EHPEA carry out promotion activities, search market, give credit freight costs, prepares the flower exhibition and invites flower exporters to participate on the flower exhibition in the country and outside the country, and provide some training. Unlike that of Ethiopia, according to Langa, (2003), most of the Malawi’s flower companies interviewed and expressed their dissatisfaction with the degree of government support of the sector.

There is a feeling of the Malawi’s government not doing enough to support other flower companies to engage the cut flower industry and increase the volumes of flower export. Another criticism is that at the expense of flower exporters, the government has been intervening to strengthen the local currency.

**The government doesn’t facilitate foreign experts to provide training on flower production**



**The government doesn’t facilitate foreign experts to provide training on flower production**

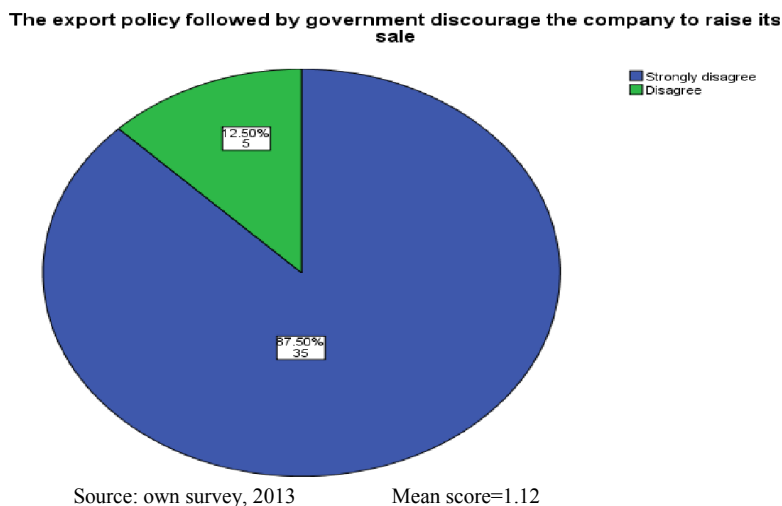
Source: own survey, 2013

Mean=4.25

**Figure 4.1. The Role of Ethiopian Government in Facilitation of Foreign Experts to Provide Training**

For instance, it is source of generating foreign currencies and contributes for the country’s growth. Furthermore, it reduces the country’s unemployment rate and improving the living standard of the employees.

Generally, the selected Ethiopian flower companies who are located around Addis Ababa are comfortable with the Ethiopian export policy which implies that the government support or encourage them to highly involve on exporting of flowers in order to get foreign currencies.

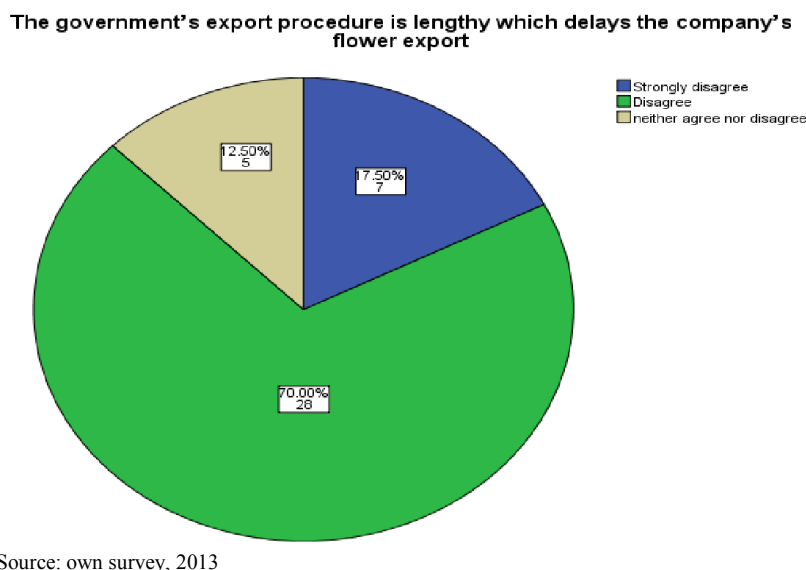


**Figure 4.2. The Role of Ethiopian Export Policy in Encouraging of the Flower Companies in Raising their Sales Volume**

**Table 4.12. The Rate of Provision of Subsidy by the Ethiopian Government**

The Company Doesn't Get Adequate Export Subsidy from Government				
Response	Frequency	Percent	Valid Percent	Mean
Strongly disagree	20	50.0	50.0	2.15
Disagree	9	22.5	22.5	
Neither agree nor disagree	2	5.0	5.0	
Agree	3	7.5	7.5	
Strongly agree	6	15.0	15.0	
Total	40	100.0	100.0	

Source: own survey, 2013



**Figure 4.3. The Lengthiness of Ethiopian Government's Export Procedures**

**Export Subsidy**

According to Table 4.12, which deals with whether or not the government provides adequate export subsidy for the flower companies to export their products widely? So, from the total 40 general managers, the majority 29 (72.5%) which includes 20(50%) strongly disagreed plus 9(22.5) disagreed feel that they opposed the statement. Meaning that, they get adequate export subsidy from the government.

This is highly supported by the mean score of the general managers' response which is 2.15. However, on the other hand, 9(22%) including 6(15%) and 3(7.5%) of them responded that the government doesn't provide adequate export subsidy for the flower companies. At last the remaining 2(5%) of them were neither agreed nor disagreed with the export subsidy. In case of Ecuador, the cut flower sector does not receive any export subsidies or benefits from the government.

(EXPO, 2005) However according to Milko, (2011), in case of Netherlands currently, Subsidies (innovation investments; demonstration projects) are policy instruments used by the Dutch government Generally, the analysis tells us the majority of the flower companies get adequate export subsidy from the government. This implies that adequate export subsidy has a vital contribution for the selected flower companies by encouraging them to actively participate in flower export.

### Export Procedures

According to World Bank, (2009), among the challenges to flower exporters, the customs clearance procedures continue to be time consuming and are still a challenge to the flower exporters. An improvement in the quality and efficiency of government bureaucracy raises the domestic returns to exporting, relative to production for the home market. (Anderson, 2005) Accordingly, some selected Ethiopian flower companies were asked to express their feeling towards whether the export procedure to be followed is lengthy to export their product to their customers.

The above Figure 4.3 vividly shows that, the 28 (70%) and 7(17.5) of the general managers feel that they disagreed and strongly disagreed respectively with the governments export procedures lengthiness and making the disagreement rate to 32(82.5%).

supported by the mean score of 4.65. However, 2(5%) of them disagreed that they don't pay high freight cost to the Air Lines. The remaining 1(2.5%) of the respondents responded that they were neither agreed nor disagreed. Based on the information has gotten from open ended questions, the Ethiopian government charges the flower companies \$3.68 a kilogram of flowers instead of paying 10 cents for each stem just like before. Therefore, the flower dissatisfied with the new measure that cannot be used for all the kinds (varieties) of flowers. Meaning that, the new measurement (kilogram) is applied for all varieties of flowers that have different weight and price. As a research conducted on flower sector in 2007 the average share of Ethiopian flower companies' airfreight cost was about 21 % of total export sales revenue. This implies that how the price of air transport affects the competitiveness of flower sector. According to the research conducted in Mali, by Di Meo, (1998), among the main causes of the failure of the Malawian horticultural exporting farms were the high airfreight costs. Similar to Malawi, generally, the majority of the selected Ethiopian flower companies are asked to pay high freight costs which discourage them not to export flowers in a large quantity.

### Role of Adequate Number of Air Transportation on Flower Export

According to Barris, (2009), transportation is one of the critical issues affecting the marketing of cut flowers.

**Table 4.13. The Amount Paid By Flower Companies to Ethiopian Air Lines**

<b>The Company Pays High Air Freight Cost</b>				
Response	Frequency	Percent	Valid Percent	Mean
Disagree	2	5.0	5.0	4.65
Neither agree nor disagree	1	2.5	2.5	
Agree	6	15.0	15.0	
Strongly agree	31	77.5	77.5	
Total	40	100.0	100.0	

Source: own survey, 2013

**Table 4.14. The Impact of Limited Airlines on Delivering the a Quantity Flowers**

<b>Limited number of air transportation has a high impact on the company to export the flower adequately</b>				
Response	Frequency	Percent	Valid Percent	Mean
Strongly disagree	3	7.5	7.5	3.72
Disagree	5	12.5	12.5	
Neither agree nor disagree	4	10.0	10.0	
Agree	16	40.0	40.0	
strongly agree	12	30.0	30.0	
Total	40	100.0	100.0	

Source: own survey, 2013

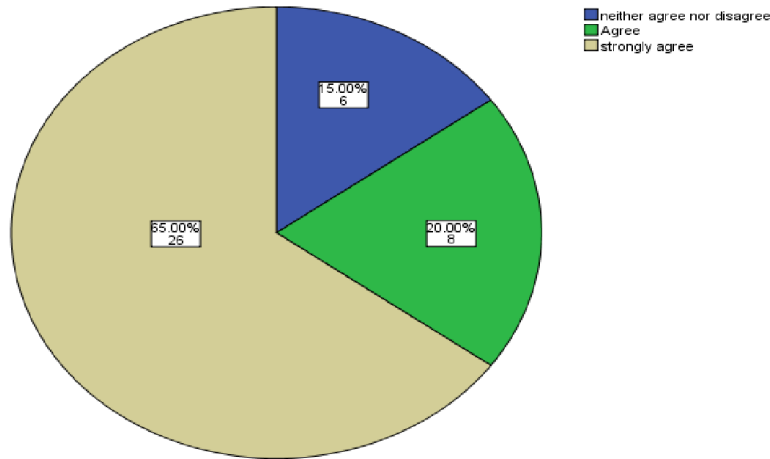
The remaining 5(12.5%) of the respondents replied that they are neutral or neither agreed nor disagreed with the above statement. More over the mean score of the respondents' response is 1.95; implies that the majority of the respondents reflect their disagreement on the lengthiness of export procedures. Therefore, the majority of the flower companies are not facing challenges from Ethiopian export procedure which is not lengthy while they want to export flowers.

### Transportation Cost

As it is clearly seen in the Table 4.13, 31(77.5%) of the respondents have strongly agreed that Ethiopian Air Line ask them high cost to pay for the service they provide for the flower companies, 6(15%) of them agreed to the statement making the agreement rate to the 37(92.5%) which is

Especially, Airport plays a vital role in the transportation of fresh cut flowers across the world. (McCue, 2012) Therefore, having limited number of air transportation can affect the volume of flowers to be exported to various countries. Therefore, the selected Ethiopian flower companies were asked to express their feeling towards on having limited Air transportation affected their flowers sales volume. Table 4.14, shows that out of the 40 respondents, the majority 28 (70%) (16(40%) plus 12(30%)) of the general managers have responded that limited number of Ethiopian Air Line has high impact on their flower export performance. In other words they are unable to distribute their flower adequately due to the limited number of air transportation. Moreover, this statement is supported by the mean score of the 3.72; indicates that the majority of the respondents' agreed on the statement.

The company doesn't get adequate financial support from financial institutions



Source: own survey, 2013

Figure 4.5. The Support of Financial Institutions in Providing Adequate Finance

Table 4.15. The Amount of Interest Rate to Be Paid By Flower Companies to the Development Bank of Ethiopia

The Company Pays High Interest Rate to the Bank Which Makes the Company Not To Provide Right Quantity of Flower					
Response	Frequency	Percent	Valid Percent	Mean	
Neither agree nor disagree	6	15.0	15.0	4.5	
Agree	8	20.0	20.0		
Strongly agree	26	65.0	65.0		
Total	40	100.0	100.0		

Source: own survey, 2013

However 8(20%) of the general managers responded that the limited number of air lines negatively affect their export performance and that's why they are forced to pay higher transportation cost since there is no private Air Line or competitors. Finally, the remaining 4(10%) of the respondents were neutral to the statement mentioned above. According to a research conducted on Uganda's floriculture (2010), the critical constraints to the competitiveness of Ugandan floriculture were limited air freight and transport facilities. Similar to Ugandan problems, generally, the analysis shows that the limited number of air transportation negatively affects the majority of the selected Ethiopian flower companies.

Table 4.16. Value of flower exported (in US Dollar)

Year	2010	2011	2012
USD	157969943	174878284.4	178631820

Source: Own survey, 2013

**The Effect of the Proximity of Flower Farms to Each Other On Their Production Rate**

According to Kubwalo, (2006) the proximity of flower farms and lack of knowledge about how to handle agrichemicals brings contamination of water and overuse of groundwater. Therefore, the flower companies were asked to express their feeling towards whether the proximity of many farms to each other has reduced their production rate. Figure 4.4 clearly relieved that majority 27(67.5%) (i.e.15 (37.5%) plus 12(30%)) of the companies' general managers replied that the proximity of many farm to each other does not reduce their production rate of flowers.

More over the mean score of the respondents response is 2.5, implies that the majority of them opposed the statement. However, the 13(32.5%) of them replied that the proximity of many flower farms to each other reduce their production rate since they share the same water, electric power and difficult to expand the land horizontally. Generally, the analysis implies that the majority of the flower companies' production rate is not affected by the closeness of many farms to each other.

**Financial Access**

As clearly seen on figure 4.5, which tells us, whether or not the flower companies get adequate financial support from financial institutions, accordingly, 34(85 %) including (26(65%) strongly agree plus 8(20%) agree) of the respondents replied that the flower companies do not get adequate financial support from financial institution. Moreover, the mean score of the General Managers' response is 4.5.This shows that the majority of the respondents were agreed with the statement mentioned above. Similar to the Ethiopian flower sector, according to Mendez, (2001) the critical constraints to the competitiveness of Ugandan horticulture are like Limited access to and high cost of financing. Finally, the remaining 6(15%) of the respondents were neither agreed nor disagreed. According to information gathered from respondents through open ended form the only financial institution that lends money to the flower sector is Development Bank of Ethiopia. The Banks cannot lend the amount of money that the borrowers request. The reason behind is that more money is spending for the Renaissances Dam construction. Moreover, borrowers are expected to purchase the bond which is 27 % of their total amount of the borrowed money.

The private banks have no capacity to lend the money to the flower sector. Generally, similar to Ugandan condition, the financial institutions do not provide adequate financial support for the stated Ethiopian flower companies.

### Interest Rate

The below Table describes whether the flower companies pay high interest rate. Therefore, respondents were asked to give their response on this issue. The Table 4.15 shows that, 26 (65%), 8(20%) and 6(15%) of the General Managers were replied that they strongly agreed, agreed and neither agreed nor disagreed respectively. As a research conducted in Zimbabwe by Davies (2000), both new entrants to the flower industry and expanding existing flower growers typically rely on borrowed finance. The Zimbabwe's macroeconomic instability has brought in high and rising interest rates, reducing the viability of flower investment projects. Similar to Zimbabwe's florists problems, from the above table one can conclude that the majority 34(85%) of the respondents replied that the flower companies pay high interest rate which is 8% to the bank that negatively affected their business which is supported by the mean score of 4.5.

### The Selected Ethiopian Flower Companies' Sales Volume

As shown from above statics, the amount of revenue generated from flower export is increasing because, there are factors which are contributed for the fast growth of flower export performance like attractive climate, the availability of natural resource like water, incentives provided by the government like land, good investment laws, and Ethiopia proximity to the global market, efficient Ethiopian air lines and the availability of abundant and cheap labor force, electric power and telecommunication. However, those flower companies whose sales volume were declined stated that, the main reason for the decline of their sales volume for instance, problem with expansion of the market, are not using appropriate packaging, shortage of fertilizers and chemicals which are not supplied at the right time and sold at the expensive price, the climatic risks and natural disasters like snow, volcanic eruptions and flood of foreign countries, have no adequate knowledge on how to handle flowers during post harvesting period, affected by the flowers disease, high freight cost, did not get adequate financial support from the financial institutions and current world economic crisis.

### Conclusion and implications

Market expansion is one of among different objectives of companies to compete globally and generate maximum profit. Therefore, similar to other businesses flower producers and exporters are expected to expand their markets. This research study disclosed that the flower exporters have a problem with expansion of the market. Meaning that most of them are relied on limited markets i.e. Holland markets. Therefore, it is recommended that the selected Ethiopian flower exporters should expand their markets instead of relying on limited markets. In order to expand their markets, both the Ethiopian government and owners should have to exert much effort on advertising the flowers through preparing of flower exhibitions in different countries especially, in developing countries like

Asian, Indian and Middle East and using Medias like DSTV, Arab channels which have many visitors. Besides to this as stated on the analysis part, there is huge demand in some countries like Russian.

Based on the study finding, majority of the selected Ethiopian flower companies' farmers, for the study purpose, have no adequate knowledge on how to handle flowers during post harvesting period. Also the flower companies lack skilled man power on the production of flowers. Due to this, many flowers were damaged and the companies incur loss. Therefore, since post handling has significant role on the sale of flowers, the each company should give training post harvesting practices and methods for employees who involve on post harvesting. Besides to this, much research should be conducted on improving the post harvesting quality of flowers.

According to the research findings which concerned with flower diseases that kill the life of flowers and make the flower companies to lose millions of dollars; the majority of the flower companies had been affected by the flowers disease especially in 2012/13. As a result of this, their sales volume was reduced. In order to prevent this killer, the flower companies should have to use both preventive and curative approach.

Among different factors, high freight cost is one factor that hinders the flower companies' export performance, the reason behind is that the majority of the flower companies were asked to pay high freight costs which discourage them not to export flowers in a large quantity and new measurement method is implemented meaning that instead of paying in each flower which costs 10 cents the air line receives money through measuring of the weight of the flower in kilograms \$3.68 per kilogram. Actually, this kind of measurement is used for all kinds of flowers which have different selling value. Therefore, the government of Ethiopia should have to vary the amount of payment it requests from flower exporters depending on the values of flowers since the value of one flower is differs from other.

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