

Prioritising the Skill Development of Local Production Managers in Ethiopia's Apparel industry

by Carlos Oya, SOAS University of London

Overview

Intensifying globalisation has led to more widespread and better integrated global production networks, that now increasingly incorporate local enterprises in low- and middle-income countries (LMICs). Within this new context, prioritising the skill development of local production managers in export-oriented manufacturing industries must become a higher priority.

Arising from a major research project on employment trends in Africa, this policy brief presents key findings and recommendations from a study on the local skills and expertise of Ethiopian middle-level managers in the foreign-owned light manufacturing sector.

Key findings from the report:

- Current local middle managers in Ethiopia in this sector are perceived as lacking key skills for senior positions, but they provide a unique bridge, facilitating between foreign industrial culture and an inexperienced local workforce
- The localisation of the management workforce in new foreign-owned apparel factories has been slow, but gradually improving since 2018; some firms, especially larger and more globalised ones, are advancing more rapidly than others
- Government incentive schemes can motivate Ethiopian light manufacturing firms to train and upgrade local managers by providing greater access to subsidised credit, foreign exchange, discounted logistics costs and marketing support
- Training institutes require improvement in modernised technology/machinery, curricula, and improved industry collaboration/partnerships
- Enforcing worker visa restrictions on foreign management employees will accelerate the transition to a more localised management labour force

The 'Industrial Development, Construction and Employment in Africa' (IDCEA) research project gathered concrete information on the employment effects of firms investing in manufacturing and building infrastructure in Africa. The research led to focused study of workforce localisation issues and skill development for management workers in the emerging sector of foreign-owned textile and apparel companies in Ethiopia: [Management Workforce Localization and Skill Development in Ethiopia's Light Manufacturing](#).

The Vital Role of Ethiopian Production Managers

Senior management positions in foreign-owned manufacturing firms in Ethiopia (especially in the finance, commercial and marketing departments, as well as production) have been generally reserved for foreign managers.

The widespread view has been that Ethiopian managers have had neither the relevant practical experience nor training to play a leading supervisory role in the production process. There is a common assumption that Ethiopian managers would require at least five years of on-the-job experience in a globally integrated factory to qualify for any senior strategic management roles.

But the counter reality is that Ethiopian managers often play a vital role in bridging communication gaps between foreign company managers and domestic production workers. This role often helps to reduce the turnover of such workers, as well as the probability of conflicts between workers and management. The work culture clashes commonly found in countries without an experienced industrial workforce can be mitigated by a well-trained local management workforce.

Building a Virtuous Cycle

The current disadvantaged position of Ethiopian managers could be rectified by improved national training provision systems, equipped to provide relevant skill development.

Firms already transfer significant knowledge, especially organisational and managerial capabilities to Ethiopian managers through a variety of formal and informal mechanisms. However, a more systematic and effective incorporation of Ethiopian managers into senior positions in production and sales/marketing is needed.



Garment factory in Ethiopia

Alongside the benefits to the company of strengthening the workforce through cohesive management, the growth of broader localised management skills will contribute to strengthening the spillover effects of FDI across the textile and apparel sector, disseminating practical knowledge and organisation capabilities for running operations in globally competitive firms.

Retaining high-quality Ethiopian managers would depend significantly on their recognition that they could benefit from advancing regularly, along clearly structured career pathways. In this way, managers could be motivated by a combination of periodic salary increments and more frequent promotions to more senior management positions with greater responsibilities.

Ethiopian managers can be effective vehicles of this skill and knowledge transfer, and this effect can in turn contribute to the strengthening of emerging industrial eco-systems in countries where manufacturing experience remains limited.

How to Train and Retain Ethiopian Managers?

The turnover of managers in Ethiopian light manufacturing firms is relatively high; Ethiopian middle managers expect higher regular increases in their salaries and faster promotions to better positions and greater responsibility. Foreign owners and senior managers of firms, on the other hand, frequently point to the low profit margins of firms operating in a very competitive global context.

However, lowering worker turnover, and reducing the risk of conflictive industrial relations could indeed be conducive to higher long-term profit margins. Indeed, the retention of high-quality local managers is an important priority for most firms, given the costs involved in training them from a low base.

Ethiopian managers appear to benefit to some degree from the transfer of knowledge and expertise, but there appears to be a disjuncture between their increased expertise and their promotion to better jobs. There is also evidence that some foreign senior and middle managers have an incentive to stay in their job and limit knowledge transfer, to avoid being replaced. Thus, Ethiopian managers may have to transfer to other firms in order to secure higher pay and benefits.

An additional problem is that the quality of training provided by Ethiopian institutions can vary significantly, and is often not suitable for workers producing for a highly competitive global market. Ethiopian graduates of domestic training institutions are still frequently lacking a range of important areas for their sector: practical skills, soft skills, modern computing skills, and first-hand knowledge of more modern



Garment factory in Ethiopia

production processes, technology and equipment. This disadvantage is seen as a major obstacle in accessing higher-level management positions, especially in production management.

The lack of effective coordination between different Ethiopian training institutions has also posed practical problems, especially with regard to promoting more effective linkages between universities and the private sector.

Ethiopian universities need to reform their curricula and institute more modern teaching methods. They should also provide apprenticeships and real-life factory training for students in factory operations in settings where global standards prevail.

A blend of government, education and industry factors could provide an enabling environment for more effectively trained local management, to increase production within foreign-owned companies for the global supply network, and the skills base in-country to grow an experienced industrial workforce at all levels.

Policy Recommendations

- **Incentivise Ethiopian light manufacturing firms to train and upgrade local managers:**
 - providing access to subsidised credit, greater access to foreign exchange, discounted logistics costs and greater marketing support
 - setting reasonable targets for the employment of Ethiopian managers in a range of middle- and senior-level management positions
 - providing national awards or prizes for firms prioritising the advancement of Ethiopian managers
- **Support improvements in training managers in the textile and apparel industry:**
 - modernise equipment and infrastructure in domestic training institutes to ensure practical lessons are conducted with the most relevant technology/machinery utilised by export firms linked to global production networks
 - revise curricula to improve and expand training in up-to-date production management knowledge, soft skills for factory managers and modern computer skills
 - revamp/improve collaboration/partnerships between university training institutes, industry (especially foreign-owned export firms) and other relevant partners (e.g., International Labour Office and Gesellschaft für Internationale Zusammenarbeit (GIZ) the German international development cooperation agency)
- **Enforce worker visa restrictions** on foreign management employees to accelerate the transition to a more localized labour force of managers

References

- Citation for ICDEA report <https://www.soas.ac.uk/research/industrial-development-construction-and-employment-africa-idcea-comparative-analysis>
- Carlos O., Florian S. and Weiwei. (2022), *Management Workforce Localization and Skill Development in Ethiopia's Light Manufacturing*, IDCEA